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CONTENTS

	ICSE Examination Paper 2026	5-14
	ICSE Examination Paper 2025	15-24
CHAP 1.	Stakeholders in Commercial Organizations	25-66
CHAP 2.	Marketing and Sales	67-117
CHAP 3.	Finance and Accounting	118-175
CHAP 4.	Human Resources	176-219
CHAP 5.	Logistics	220-267
CHAP 6.	Banking	268-309

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ICSE EXAMINATION PAPER 2026
CLASS X
COMMERCIAL STUDIES

Time: 2 Hours **Max. Marks: 80**

General Instructions:

1. Answer to this Paper must be written on the answer sheet provided separately.
2. You will not be allowed to write during first 15 minutes.
3. This time is to be spent in reading the question paper.
4. The time given at the head of this Paper is the time allowed for writing the answers.
5. Attempt all questions from Section A and any four questions from Section B.

SECTION - A

(Attempt all question from this Section.)

1. Choose the correct answers to the questions from the given options.
(Do not copy the questions, write the correct answer only).

(i) Choose the correct option with regard to Products and Services:
(a) Products are intangible, whereas Services are tangible.
(b) Products are not transferable, whereas Services are transferable.
(c) Products cannot be stored, whereas Services can be stored.
(d) Products are durable, whereas Services are perishable.

Ans :

(d) Products are durable, whereas Services are perishable.
Products are physical, durable goods that can be stored and transferred. Services are intangible and perishable — they cannot be stored or resold. Once a service moment passes unused, it is lost forever.

(ii) ₹ 600 spent on repairing a machine in a firm is treated as:
(a) Capital receipt
(b) Revenue expenditure
(c) Capital expenditure
(d) Deferred revenue expenditure

Ans :

(b) Revenue expenditure
Repair expenses maintain an asset's existing condition without enhancing its value or life. Such routine costs are recurring in nature, charged to the Profit & Loss account, and classified as revenue expenditure, not capital expenditure.

(iii) The image given below indicates which form of Sales Promotion?

(a) Free sample
(b) Premium
(c) Coupon
(d) Trading stamp

Ans :

(c) Coupon
A coupon is a certificate offering buyers a price reduction or discount on a product. The image shows a "25% OFF Discount Voucher" with a barcode, which is a classic example of a coupon used as a sales promotion tool.

(iv) Assertion (A): Commercial Banks are required to keep a certain proportion of their deposits as cash reserves with the Central Bank.
Reason (R): Cash reserves enable the Central Bank to exercise control over credit by Commercial Banks.
(a) (A) is true and (R) is false.
(b) (A) is false and (R) is true.
(c) Both (A) and (R) are true and (R) is the correct explanation of (A).
(d) Both (A) and (R) are true but (R) is not the correct explanation of (A).

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Ans :

(c) Both (A) and (R) are true and (R) is the correct explanation of (A).
Both statements are true. Commercial Banks must maintain Cash Reserve Ratio (CRR) with the Central Bank. This requirement directly helps the Central Bank regulate credit supply and control money circulation in the economy.

(v) While Gina was in Delhi for an official meeting, her mother is rushed to the hospital for a medical emergency in Goa. Gina needs to reach her mother quickly.
Which means of transport will she use?
(a) Road transport
(b) Rail transport
(c) Water transport
(d) Air transport

Ans :

(d) Air transport
Air transport is the fastest means of travel, ideal for emergencies covering long distances quickly. Delhi to Goa is a long distance, and only air travel can get Gina there in the shortest possible time.

(vi) A cosmetic product may cause allergy to sensitive skin. This information is not disclosed on the packaging by the producer.
Which Act would deal with this issue?
(a) Environment Protection Act
(b) Prevention and Control of Pollution Act
(c) Consumer Protection Act
(d) Banking Regulations Act

Ans :

(c) Consumer Protection Act
The Consumer Protection Act safeguards consumers' right to information about products. Hiding allergy-related risks on packaging is a violation of consumer rights, and this Act provides legal remedy against such unfair trade practices by producers.

(vii) An employee does not contribute to Gratuity.
(a) True
(b) False

Ans :

(a) True
Gratuity is entirely funded and paid by the employer as a retirement benefit for long service. Unlike provident fund, employees make no contribution towards gratuity — it is a sole obligation of the employer under the Payment of Gratuity Act.

(viii) Assertion (A): The holders of equity shares are the main risk bearers in a company.
Reason (R): The equity shareholders have no voting rights in the company.
(a) (A) is true and (R) is false.
(b) (A) is false and (R) is true.
(c) Both (A) and (R) are true and (R) is the correct explanation of (A).
(d) Both (A) and (R) are true but (R) is not the correct explanation of (A).

Ans :

(a) (A) is true and (R) is false
Equity shareholders are indeed the biggest risk bearers as they get residual profits and are last paid during liquidation. However, the Reason is false — equity shareholders actually have full voting rights in the company.

(ix) The ERP module which helps to manage employee information, track employee records like performance reviews, job descriptions and attendance is _____.
(a) Purchase Module
(b) Inventory Module
(c) Finance and Accounting Module
(d) Human Resource (HR) Module

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Ans :

(d) Human Resource (HR) Module
The HR Module in ERP systems manages all employee-related functions including recruitment, attendance, payroll, performance reviews, and job descriptions. It centralises workforce data, making employee management efficient and organised for businesses.

(x) Which of the following is NOT a contract of Indemnity?
(a) Health Insurance
(b) Life Insurance
(c) Fire Insurance
(d) Marine Insurance

Ans :

(b) Life Insurance
A contract of indemnity compensates for actual financial loss, which must be measurable. Life Insurance is a contingency contract, not indemnity, as human life has no fixed monetary value. Health, Fire, and Marine Insurance all compensate measurable losses, making them indemnity contracts.

(xi) Raju has been selected as a plumber in a construction company. Name the type of training he must undergo.
(a) Apprenticeship training
(b) Job rotation
(c) Classroom training
(d) Vestibule training

Ans :

(a) Apprenticeship Training
Apprenticeship training is ideal for skilled trades like plumbing, carpentry, and electricians. The trainee works under an experienced master, learning practical skills on the job. It combines theoretical knowledge with hands-on experience over a fixed training period.

(xii) Budgets are very useful in management. Identify which of the following will be true in this context.
I. The purpose of the budget is to set the target and allocate the resources.
II. Budgets do not allow delegation of authority.
III. Budgets help to shift responsibility on others.
IV. Budgets bring efficiency and economy to a business firm.
Options:
(a) II and III
(b) I and IV
(c) I and III
(d) II and IV

Ans :

(b) I and IV
Budgets serve as planning tools that set targets, allocate resources, and bring efficiency and economy to firms. Statements II and III are incorrect — budgets actually facilitate delegation of authority and fix individual responsibility, not shift it onto others.

(xiii) Which organisation in India is responsible for controlling all forms of pollution?
(a) Water Pollution Control Board
(b) Air Pollution Control Board
(c) State Pollution Control Board
(d) Central Pollution Control Board

Ans :

(d) Central Pollution Control Board (CPCB)
The Central Pollution Control Board (CPCB), established under the Water Act 1974, is the apex national body in India responsible for controlling and monitoring all forms of pollution - water, air, and land - across the entire country.

(xiv) Net profit or Net loss is transferred from:
(a) Trial Balance to Trading Account
(b) Trading Account to Profit and Loss Account
(c) Profit and Loss Account to Balance Sheet
(d) Trading Account to Balance Sheet

Ans :

(c) Profit and Loss Account to Balance Sheet
Net Profit or Net Loss is the final result calculated in the Profit and Loss Account. This balance is then transferred to the Capital Account on the Balance Sheet, completing the accounting cycle for the financial period.

(xv) Which of the following stakeholders provide loans to the commercial organisations?
(a) Suppliers
(b) Creditors
(c) Government
(d) Employees

Ans :

(b) Creditors
Creditors, including banks and financial institutions, provide loans and credit to commercial organisations. They are external stakeholders who expect timely repayment with interest. Suppliers provide goods, Government levies taxes, and Employees provide labour services.

(xvi) Cost of raw materials is a:
(a) Variable direct cost
(b) Variable indirect cost
(c) Fixed direct cost
(d) Fixed indirect cost

Ans :

(a) Variable direct cost
Raw material cost is directly traceable to the finished product, making it a direct cost. It also varies proportionally with the level of production more output requires more raw materials hence it is classified as a variable direct cost.

2. Write any two differences between:
(i) Advertising and Publicity
(ii) Budget and Forecast
(iii) Shares and Debentures
(iv) Capital Receipts and Revenue Receipts

Ans :

(i) The difference between Advertising and Publicity are as follows :

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Basis	Advertising	Publicity
Cost	Paid form of promotion by the sponsor	Free, not paid for directly by the organisation
Control	Advertiser has full control over content	Organisation has no control over the message

(ii) The difference between the Budget and Forecast are as follows :

Basis	Budget	Forecast
Nature	A formal financial plan for a future period	An estimate or prediction of future events
Control	Used as a control tool to measure performance	Not used as a control tool

(iii) The difference between Shares and Debentures are as follows :

Basis	Shares	Debentures
Status	Shareholders are owners of the company	Debenture holders are creditors of the company
Return	Dividend is paid, depends on profits	Fixed interest is paid regardless of profit

(iv) The difference between Capital Receipts and Revenue Receipts are as follows :

Basis	Capital Receipts	Revenue Receipts
Nature	Non-recurring, received once (e.g. loan, share capital)	Recurring in nature (e.g. sales, rent received)
Effect	Creates liability or reduces assets	Does not create any liability

3. (i) Give two differences between On-the-job training and Off-the-job training.

(ii) When the balance of payments is unfavourable, the foreign exchange resources are reduced.
   (a) In this situation, what advise does the Central Bank give to the Government?
   (b) Which function of the Central Bank is depicted in (a) above?

(iii) Briefly explain any two features of the Environment Protection Act.

(iv) Discuss any two objectives of Marketing.

Ans :

(i) Two differences between On-the-job training and Off-the-job training:

Basis	On-the-job Training	Off-the-job Training
Location	Training takes place at the actual workplace	Training takes place outside the workplace
Cost	Less expensive as no separate setup is needed	More expensive as special arrangements are required

(ii) (a) When balance of payments is unfavourable, the Central Bank advises the Government to reduce imports and increase exports, adopt a contractionary monetary policy by raising interest rates, and depreciate the currency to make exports cheaper and imports costlier.

(b) This depicts the Advisor to the Government function of the Central Bank. The Central Bank acts as a financial and economic advisor to the Government on matters of monetary policy, foreign exchange, and overall economic management.

(iii) Any two features of the Environment Protection Act:
1. Wide Coverage: The Act covers all forms of environmental pollution — air, water, land, and noise — making it a comprehensive legislation for environmental protection across India.
2. Strict Penalties: The Act provides for strict punishment including imprisonment and heavy fines for individuals or industries that violate environmental norms and cause pollution.

(iv) Any two objectives of marketing are as follows:
1. Customer Satisfaction: Marketing aims to identify and fulfil customer needs and wants effectively, ensuring satisfaction that leads to repeat purchases and long-term loyalty.
2. Profitability: Marketing helps generate demand for products and services, ultimately increasing sales volume and ensuring profitable returns for the organisation.

4. (i) What do you mean by Fixed Cost? Give two examples.

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(ii) Infosys recruited a few candidates from IIT, Kanpur in the year 2025.
  (a) Identify the source of external recruitment from the above statement.
  (b) State one advantage of the same.
(iii) What is a Trading Account?
(iv) Briefly explain Public Warehouse.

Ans :

(i) Fixed Cost: Fixed Cost refers to costs that remain constant and do not change with the level of production or output. Whether production increases or decreases, these costs stay the same over a given period.
Two Examples:
  1. Rent of factory/office
  2. Salaries of permanent staff

(ii) (a) The source identified is Campus Recruitment.
  (b) It helps in getting young, talented, and qualified candidates directly from educational institutions.

(iii) A Trading Account is a financial statement prepared to calculate the gross profit or gross loss of a business during a specific period by comparing sales with the cost of goods sold.

(iv) A Public Warehouse is a storage facility owned and operated by private individuals or companies that provides storage services to the general public for a fee. Any individual or business can store goods here on a rental basis. They are regulated by the government and commonly used by small businesses that cannot afford private warehouses.

SECTION - B

(Answer any four questions from this Section.)

5. (i) Observe the image and answer the following questions:

  (a) Identify the fraud depicted in the picture.
  (b) Explain any two financial fraudulent practices.

(ii) "This is a market where equity and debt are marketed in the form of shares, stocks and long-term securities."
  (a) Identify the market.
  (b) Explain any four functions of this market.

Ans :

(i) (a) The image shows a person secretly stealing a card (ATM/credit card), which indicates credit card fraud / ATM card theft.

(b) Any two financial fraudulent practices:
  1. Phishing : Fraudsters send fake emails or messages pretending to be banks or trusted institutions to trick people into revealing passwords, card numbers, and personal financial details illegally.
  2. Ponzi Scheme : A fraudulent investment scheme where returns are paid to earlier investors using money collected from new investors, rather than from actual profits, eventually collapsing and causing huge losses.

(ii) (a) The market described is the Capital Market.

(b) Any four functions of the Capital Market:
  1. Mobilisation of Savings : It collects savings from individuals and channels them into productive investments.
  2. Capital Formation : It helps businesses raise long-term funds for expansion and development.
  3. Providing Liquidity : Investors can easily buy and sell securities, converting them into cash when needed.
  4. Price Determination : It helps in determining the fair price of securities based on demand and supply.

6. (i) A computer software that manages all the resources of the organisation.
  (a) Name the software.
  (b) Explain the following modules:
    1. CRM Module
    2. Sales Module

(ii) (a) Mrs. Basu had parked her car in her regular parking spot at the office. Another employee, Arjun, accidentally crashed into Mrs. Basu's car while reversing his

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car. This entailed expenses of ₹ 60,000 which she received from the insurance company for damages and repairs. Mrs. Basu later also recovered ₹ 30,000 from Arjun.

1. State the Principle of Insurance.
2. Discuss if Mrs. Basu's course of action is justifiable. Give reasons for your answer.

(b) Write a short note on Preference Shares.

Ans :

(i) (a) The software is ERP — Enterprise Resource Planning.

(b) Modules:

1. CRM Module (Customer Relationship Management) : This module helps the organization to manage interactions with customers. It stores customer data, tracks customer needs, and helps in improving customer satisfaction and building long-term relationships.
2. Sales Module : This module handles all sales-related activities including order processing, invoicing, sales forecasting, and customer quotations. It tracks sales transactions from order placement to delivery, helping management monitor sales performance and plan future sales strategies efficiently.

(ii) (a)

1. Principle of Insurance violated : The principle is the Principle of Indemnity — which states that the insured should be compensated only to the extent of actual loss suffered, and should not make a profit from insurance. The insured must be restored to the same financial position as before the loss, nothing more.
2. Mrs. Basu's course of action is NOT justifiable because:
   (i) She received ₹ 60,000 from the insurance company for the full repair cost
   (ii) She additionally recovered ₹ 30,000 from Arjun
   (iii) This means she received a total of ₹ 90,000 against a loss of only ₹ 60,000
   (iv) This violates the Principle of Indemnity as she made a profit of ₹ 30,000 from the accident
   (v) She should have returned the extra ₹ 30,000 to the insurance company

(b) Preference Shares : Preference Shares are those shares which carry preferential rights over equity shares in two ways — receiving a fixed rate of dividend before equity shareholders, and repayment of capital before equity shareholders at the time of liquidation.

Key features :

1. Carry a fixed rate of dividend
2. Get priority in dividend payment and capital repayment
3. Generally do not carry voting rights
4. Suitable for investors who prefer stable, regular income with lower risk compared to equity shares
5. Can be cumulative or non-cumulative, redeemable or irredeemable depending on their type

7. (i) Mrs. Pandit purchased a packet of chilli powder from a local grocery store. After using it, she noticed that the colour of the food had changed drastically.

(a) Identify and explain the type of consumer exploitation.

(b) Suggest any one action Mrs. Pandit can take to protect herself from such exploitation.

(c) Explain the Right to be Informed under the Consumer Protection Act, 2019.

(ii) These are relationships between the management and employees that grow out of employment.

(a) Which term is being referred to in the above statement?

(b) State four objectives of such relations.

Ans :

(i) (a) The type of exploitation is Adulteration/ Sale of Substandard Goods : This occurs when a seller mixes inferior or harmful substances in a product, reducing its quality and purity. Here, the chilli powder was adulterated with artificial colour additives, making it harmful for consumption and cheating the consumer of genuine quality.

(b) One action Mrs. Pandit can take : Mrs. Pandit can file a complaint with the Consumer Disputes Redressal Commission (Consumer Court) under the Consumer Protection Act, 2019, seeking compensation and action against the grocery store for selling adulterated and

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substandard goods.

(c) Right to be Informed : Under the Consumer Protection Act 2019, every consumer has the Right to be Informed about the quality, quantity, potency, purity, standard, and price of goods and services. This right protects consumers against unfair trade practices. Manufacturers must disclose all relevant information on the product label such as ingredients, manufacturing date, expiry date, MRP and possible side effects, enabling consumers to make informed purchasing decisions.

(ii) (a) The term being referred to is Industrial Relations (also called Labour Relations or Employee Relations).

(b) Four objectives of Industrial Relations:

1. Maintaining Industrial Peace: To prevent conflicts, strikes, and lockouts between management and employees by promoting mutual understanding, cooperation, and harmony at the workplace.
2. Improving Employee Productivity: Healthy industrial relations motivate employees to work efficiently and sincerely, leading to increased productivity and overall organisational growth and profitability.
3. Safeguarding Workers' Interests: To protect the rights and interests of employees regarding fair wages, safe working conditions, job security, and other employment benefits through proper policies and agreements.
4. Avoiding Industrial Disputes: To establish effective grievance handling mechanisms and negotiation procedures that resolve conflicts quickly and prevent disruptions to the smooth functioning of the organisation.

8. (i) Rahul, an entrepreneur, feels that his business is wasting a lot of money on advertising every year. Aman, his partner, does not agree and feels that advertising is very important in today's world.

(a) Whom do you agree with, Rahul or Aman?

(b) Giving four points, justify your viewpoint.

(ii) (a) Identify the stakeholders who invest in the capital and assume greater risk or loss of capital in the enterprise.

(b) Give four expectations the above stakeholders may have from the commercial organisation.

Ans :

(i) (a) I agree with Aman — advertising is very important in today's competitive world.

(b) Four points to justify:

1. Creates Awareness: Advertising informs potential customers about the existence, features, and benefits of products and services. Without advertising, even the best product may go unnoticed in a crowded and competitive marketplace.
2. Increases Sales and Revenue: Effective advertising attracts new customers and reminds existing ones, directly boosting sales volume. Higher sales lead to greater revenue and profits, justifying the money spent on advertising.
3. Builds Brand Image: Regular advertising helps build a strong and recognisable brand identity. A well-established brand commands customer loyalty, trust, and premium pricing, giving the business a long-term competitive advantage.
4. Faces Competition: In today's world, competitors are constantly advertising their products. If Rahul stops advertising, customers may shift to competitor brands. Advertising is essential to retain market share and stay relevant in the industry.

(ii) (a) The stakeholders who invest capital and assume the greatest risk are Equity Shareholders (Owners/Investors).

They are the last to receive dividends and the last to be repaid during liquidation, making them the highest risk bearers in any organisation.

(b) Four expectations of Equity Shareholders:

1. Regular Dividends: Shareholders expect the company to earn good profits and distribute regular and increasing dividends as a fair return on their investment and risk taken.
2. Capital Growth: They expect the market value of their shares to appreciate over time, so that their overall investment grows and generates wealth in the long run.
3. Transparent Information: Shareholders expect honest, accurate, and timely disclosure of the company's financial

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performance, future plans, and any major decisions that may affect their investment.

4. Voting Rights and Participation: Equity shareholders expect meaningful voting rights in major company decisions, including election of directors and approval of major policies, ensuring their voice is heard in governance.

9. (i) Write short notes on:
(a) Provident Fund
(b) Transfers, as a type of Internal Recruitment
(ii) Explain three merits and two demerits of Rail transport.

Ans :

(i) (a) Provident Fund : Provident Fund is a compulsory retirement savings scheme where both the employer and employee contribute a fixed percentage of the employee's salary every month. It is managed under the Employees' Provident Fund Organisation (EPFO) in India.

Key points:

1. Both employer and employee contribute 12% of basic salary each
2. The accumulated amount earns interest over the years
3. Amount is payable to the employee on retirement, resignation, or death
4. Provides financial security and social protection to employees and their families after retirement

(b) Transfers as Internal Recruitment : Transfer refers to the lateral movement of an employee from one department, branch, or location to another at the same level, without a significant change in salary, status, or responsibilities.

Key points:

1. Fills vacant positions without hiring from outside
2. Provides employees with wider experience across departments
3. Reduces monotony and boredom by giving employees new work environments
4. Is cost-effective as no external recruitment process is needed
5. Helps management place the right person in the right job

(ii) Three Merits of Rail Transport:

1. Suitable for Long Distances: Railways are the most economical and efficient mode of transport for carrying heavy and bulky goods over long distances across the country quickly and reliably.
2. Large Carrying Capacity: Trains can carry a very large volume of goods and passengers simultaneously in a single journey, making it ideal for mass transportation needs of the economy.
3. Faster than Road Transport: Railways are significantly faster than road transport for covering long distances, making them reliable for time-sensitive movement of goods and passengers across states.

Two Demerits of Rail Transport:

1. Lack of Flexibility: Railways operate only on fixed tracks and fixed schedules. They cannot provide door-to-door delivery service, requiring additional road transport to complete the first and last mile of delivery.
2. High Capital Cost: Setting up and maintaining railway infrastructure including tracks, stations, engines, and coaches requires enormous capital investment, making it expensive to expand to newer or remote areas.

10. Given below is the Trial Balance of XYZ & Co. Ltd as on 31st March, 2025.
Prepare a Trading and a Profit and Loss account for the year ending 31st March, 2025.
Also prepare a Balance Sheet as on 31st March, 2025.

Trial Balance of XYZ & Co. Ltd.
as on 31st March, 2025

Dr.		**Cr.**	
Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
Opening Stock	15,000	Overdraft	43,200
Purchases	66,000	Purchase Return	3,000
Carriage Outwards	1,800	Sundry Creditors	30,000
Bad Debts	1,800	Sales	1,15,000
Sales Return	6,000	Capital	80,000
Drawings	4,000	Commission Received	900

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Trade Expenses	3,600		
Salaries	18,000		
Discount	1,200		
Rent	12,000		
Furniture	18,000		
Plant and Machinery	1,08,000		
Debtors	16,700		
Total	**2,72,100**	**Total**	**2,72,100**

Closing stock was valued at ₹ 25,000

Ans :

Trading Account
(for year ending 31 March 2025)

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
Opening Stock	15,000	Sales	1,15,000
Purchases	66,000	Less: Sales Return	(6,000)
Less: Purchase Return	(3,000)	Net Sales	1,09,000
Net Purchases	63,000	Closing Stock	25,000
Cost of Goods Available	78,000		
Gross Profit c/d	56,000		
Total	**1,34,000**	**Total**	**1,34,000**

Gross Profit = ₹56,000

Profit and Loss Account
(as on 31 March 2025)

Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
Salaries	18,000	Gross Profit b/d	56,000
Rent	12,000	Commission Received	900
Trade Expenses	3,600		
Carriage Outwards	1,800		
Bad Debts	1,800		
Discount	1,200		
Net Profit	18,500		
Total	**56,900**	**Total**	**56,900**

Net Profit = ₹18,500

Balance Sheet
(as on 31 March 2025)

Liabilities :

Particulars	**Amount (₹)**
Capital	80,000
Add: Net Profit	18,500
Less: Drawings	(4,000)
Adjusted Capital	94,500
Sundry Creditors	30,000
Bank Overdraft	43,200
Total	1,67,700

Assets :

Particulars	**Amount (₹)**
Plant & Machinery	1,08,000
Furniture	18,000
Closing Stock	25,000
Debtors	16,700
Total	1,67,700

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ICSE EXAMINATION PAPER-2025

CLASS X

COMMERCIAL STUDIES

Time: 2 Hours **Max. Marks: 80**

General Instructions:

1. Answer to this Paper must be written on the answer sheet provided separately.
2. You will not be allowed to write during first 15 minutes.
3. This time is to be spent in reading the question paper.
4. The time given at the head of this Paper is the time allowed for writing the answers.
5. Attempt all questions from Section-A and any four questions for Section-B.
6. The intended marks for questions or parts of questions are given in brackets [ ].

SECTION - A

(Attempt all questions from this Section.)

QUESTION 1.

Choose the correct answer to the questions from the given options.

(Do not copy the questions, write the correct answers only.)

(i) Which of the following is an example of Off-the-Job Training?
(a) Job rotation
(b) Mentoring
(c) Apprenticeship
(d) Classroom training

Ans :

(d) Classroom training
Classroom training is conducted away from the actual work environment and emphasizes theoretical understanding. Trainees focus on learning concepts and methods without performing real-time tasks. This setting ensures fewer distractions and allows participants to absorb new skills or knowledge before applying them on the job, making it "off-the-job" training.

(ii) Rishav prepared a detailed plan of operations for a specific future period.
Identify the process.
(a) Forecasting
(b) Marketing
(c) Budgeting
(d) Selecting

Ans :

(c) Budgeting
Budgeting involves preparing a systematic estimate of future incomes and expenses for a specified period. It allocates financial resources and sets cost constraints, guiding decision-making and performance evaluation. By defining expected revenues and expenditures, it provides a clear road map, aligning planned operations with the organization's financial goals.

(iii) Sharma and Company is planning to spend ₹5,00,000 on advertising.
Under which type of expense can it be classified?
(a) Capital expenditure
(b) Revenue expenditure
(c) Capital receipts
(d) Deferred Revenue expenditure

Ans :

(b) Revenue expenditure
Advertising typically benefits the current period rather than creating a long-term asset. Since it aims to stimulate immediate sales or brand visibility, its cost is classified as a day-to-day operating expense. Hence, it is deemed revenue expenditure, distinguishing it from capital expenditure, which generates benefits over multiple accounting periods.

(iv) Observe the picture and identify the customer exploitation.

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(a) Overcharging
(b) Under weighing
(c) Adulteration
(d) Fair pricing

Ans :

(c) Adulteration
Adulteration refers to the addition of harmful or inferior substances to food items to increase quantity or improve appearance, often risking consumer health. Injecting chemicals into fruits is a common example of such malpractice, and it directly exploits customers by providing unsafe and deceptive products.

(v) Assertion (A): Preference shares are a hybrid form of financing.
Reason (R): Preference shares have characteristics of both equity shares and debentures.
(a) Both (A) and (R) are true and (R) is the correct explanation of (A).
(b) Both (A) and (R) are true but (R) is not the correct explanation of (A).
(c) (A) is true and (R) is false.
(d) Both (A) and (R) are false.

Ans :

(a) Both (A) and (R) are true and (R) is the correct explanation of (A).
Preference shares blend features of equity like ownership and dividend entitlement with debt-like aspects, such as fixed returns and priority in liquidation. Therefore, they are viewed as a hybrid instrument. Since these shares share traits with both equity capital and debentures, the reason accurately explains the assertion's statement.

(vi) Which of the following is NOT true with reference to the Reserve Bank of India?
(a) It is the sole custodian of foreign exchange reserves.
(b) It extends loans to the general public.
(c) It makes and receives payment on behalf of the government.
(d) It has the monopoly of issuing currency notes.

Ans :

(b) It extends loans to the general public.
The Reserve Bank of India does not lend directly to individuals. It is the government's banker, oversees monetary policy, manages foreign exchange reserves, and issues currency. Commercial banks handle loans to the general public. Thus, stating the RBI provides loans to individuals is the incorrect statement regarding its functions.

(vii) Which type of selection test helps to measure an applicant's level of knowledge and skill in a particular occupation?
(a) Aptitude test
(b) Interest test
(c) Trade test
(d) Dexterity test

Ans :

(c) Trade test
A trade test evaluates a candidate's specialized technical or vocational skills pertinent to a specific job. By focusing on practical capabilities, it verifies whether the applicant possesses the hands-on proficiency required. This differs from broader tests (like aptitude or interest tests), which assess general talent or personal job preferences.

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(viii) Which of the following are true for a Trading Account?
I. This account contains personal and real accounts only.
II. This account contains opening balance of stock on the debit side.
III. It is prepared after the Profit and Loss Account.
IV. The result of this account is the Gross Profit or the Gross Loss.
Options:
(a) I and II are true.
(b) II and III are true.
(c) III and IV are true.
(d) II and IV are true

Ans :

(d) II and IV are true
A trading account debits opening stock to reflect the cost of goods available for sale. Its outcome is gross profit or gross loss, showing performance from core trading operations. It precedes the profit and loss account and mainly deals with nominal accounts (direct expenses), not personal accounts.

(ix) Marketing aims to build the reputation of the enterprise over time.
(a) True
(b) False

Ans :

(a) True

Marketing strategies—through advertising, customer engagement, and brand-building—shape public perception and trust in a firm's products or services. Over time, consistent messaging and quality offerings reinforce a positive corporate image. By meeting customer needs and nurturing goodwill, marketing efforts steadily enhance the enterprise's reputation in competitive marketplaces.

(x) Expenses incurred by the firm to purchase a second-hand machine and make it ready for use, are treated as:
(a) Capital Expenditure
(b) Revenue Expenditure
(c) Capital Receipts
(d) Revenue Receipts

Ans :

(a) Capital Expenditure
Spending on purchasing a used machine and making it operational extends beyond normal maintenance, enhancing its productive capacity or life. Such outlays create long-term benefits rather than immediate consumable value. Therefore, these costs are capital expenditures, increasing the asset's value rather than simply covering periodic operating expenses.

(xi) Assertion (A): The Central Bank is the sole custodian of foreign currency reserves.
Reason (R): The Central Bank has the monopoly of note issue.
(a) Both (A) and (R) are true and (R) is the correct explanation of (A).
(b) Both (A) and (R) are true but (R) is not the correct explanation of (A).
(c) (A) is true and (R) is false.
(d) Both (A) and (R) are false.

Ans :

(b) Both (A) and (R) are true but (R) is not the correct explanation of (A).
Central banks safeguard a nation's foreign exchange reserves for financial stability. They also uniquely issue currency. However, the rationale for holding foreign reserves differs from the authority to print money. Both statements are accurate, yet the monopoly on note issue does not fully explain why it is the custodian.

(xii) Mohit goes to the bank with a credit instrument which is due three months later. The bank charges some commission and pays less than the face value of the instrument.
Identify the kind of loan granted by the commercial bank.
(a) Term loan
(b) Cash credit
(c) Discounting of bills of exchange
(d) Overdraft

Ans :

(c) Discounting of bills of exchange
When a bank discounts a bill of exchange, it purchases the bill before maturity at a reduced value. The difference between the face value and the discounted sum is effectively the bank's fee. This arrangement gives immediate funds to the holder while the bank waits to collect at the due date.

(xiii) Which of the following Acts established the Central Pollution Control Board at the national level?
(a) Consumer Protection Act, 2019
(b) Environment Protection Act, 1986
(c) Companies Act, 1956
(d) Banking Regulations Act, 1949

Ans :

(b) Environment Protection Act, 1986
Under the Environment (Protection) Act, 1986, the Central Pollution Control Board was established to oversee and coordinate pollution control measures nationwide. It formulates standards, monitors compliance, and provides technical services to the government. This legislation strengthens environmental protection and management across the country through policy and enforcement mechanisms.

(xiv) Observe the picture and identify what type of Insurance can be claimed.

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(a) Health
(b) Fire
(c) Life
(d) Marine

Ans :

(d) Marine
Marine insurance provides coverage for loss or damage to ships, cargo, and transport by sea. In this scenario, the owner can claim marine insurance for potential loss or damage to the ship and goods during maritime transport due to accidents, storms, or other perils at sea.

(xv) A social security scheme has the following characteristics:
1. Any citizen of India, resident or non-resident, can become a member.
2. It has a Tier I account which is mandatory and Tier II which is optional.

Identify the scheme.
(a) Provident Fund
(b) Gratuity
(c) National Pension Scheme
(d) Maternity benefits

Ans :

(c) National Pension Scheme
The National Pension Scheme (NPS) is open to all Indian citizens, including Non-Resident Indians. It features a mandatory Tier I account that locks in contributions until retirement, fostering long-term savings. Tier II is optional, allowing withdrawals without restrictions. This dual-tier structure encourages systematic retirement planning with flexible additional contributions.

(xvi) The accountant of Gupta & Co. Ltd. has to pass an entry for Carriage Inwards. Where would he post the entry?
(a) Debit side of Profit and Loss Account
(b) Debit side of Trading Account
(c) Credit side of Trading Account
(d) Liabilities side of Balance Sheet

Ans :

(b) Debit side of Trading Account
Carriage inwards pertains to transporting goods into the business, directly impacting the cost of goods sold. It is treated as a direct expense and posted on the trading account's debit side. By including such costs, the trading account accurately shows gross profit or loss stemming from the firm's primary operations.

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QUESTION 2.

Write any two differences between:
(i) Capital Expenditure and Revenue Expenditure
(ii) Trading Account and Profit and Loss Account
(iii) Product and Service
(iv) Direct Cost and Indirect Cost

Ans :

(i) Difference between Capital Expenditure and Revenue Expenditure

Capital Expenditure	**Revenue Expenditure**
Incurred to acquire or improve long-term assets (e.g., machinery, building).	Incurred for day-to-day running of the business (e.g., rent, salaries).
Benefits extend beyond one accounting period.	Benefits are consumed within the same accounting period.

(ii) Difference between Trading account and Profit and Loss Account

Trading Account	**Profit and Loss Account**
Calculates gross profit or loss from core trading activities.	Calculates net profit or loss after considering all expenses and incomes.
Focuses on direct expenses (e.g., purchases, wages).	Focuses on indirect expenses and other incomes (e.g., rent, commission).

(iii) Difference between Product and Service

Product	**Service**
Tangible – can be touched, seen, and stored.	Intangible – cannot be touched or stored.
Ownership is transferred upon purchase.	No ownership is transferred, only access or use is provided.

(iv) Difference between Direct Cost and Indirect Cost

Direct Cost	Indirect Cost
Can be directly traced to a specific product, job, or department (e.g., raw materials).	Cannot be directly traced to a single product (e.g., electricity, rent).
Varies directly with production volume.	May remain fixed or semi-variable irrespective of output.

QUESTION 3.

(i) Mohan intentionally burns the old stock of damaged clothes in his warehouse. Then, he claims the insurance.
(a) Which type of insurance would he claim?
(b) Give one reason to state why the claim will not be settled.

(ii) What is Selection?

(iii) Explain Application Blank.

(iv) Write in brief about a Sales Budget.

Ans :

(i) (a) Fire Insurance
(b) The loss was caused intentionally, which violates the principle of utmost good faith and principle of indemnity. Insurance does not cover fraudulent or deliberate acts.

(ii) Selection is the process of choosing the most suitable candidate from a pool of applicants who have applied for a job. It involves evaluating qualifications, experience, and skills to pick the best fit for the position.

(iii) An Application Blank is a standard form filled out by job applicants. It collects important personal, educational, and work-related information in a structured format, helping employers compare candidates systematically.

(iv) A Sales Budget is a financial plan that estimates the expected sales revenue and sales volume for a specific period. It helps a business plan production, inventory, and other operational activities based on projected sales.

QUESTION 4.

(i) Briefly explain the Principle of Indemnity.

(ii) Who are Internal Stakeholders? Give two examples.

(iii) Identify the last step of the Final accounts, which is prepared after Profit and Loss Account. Explain in brief.

(iv) Write in brief about E-tailing.

Ans :

(i) The Principle of Indemnity means that he insured is compensated only for the actual loss suffered, not for profit. The purpose is to restore the financial position of the insured to what it was before the loss occurred, without allowing any gain.

(ii) Internal Stakeholders are individuals or groups within the organization who are directly involved in its operations and success. Examples:
1. Employees
2. Managers or Owners

(iii) The last step is the Balance Sheet. The Balance Sheet is a financial statement that shows the financial position of a business at a specific date. It lists assets, liabilities, and capital, showing how the company's resources are funded and used.

(iv) E-tailing refers to the selling of goods and services online through websites, apps, or digital platforms. It allows customers to browse, choose, and purchase products via the internet, with delivery made to their location.

SECTION - B

(Attempt any four questions from this Section.)

QUESTION 5.

(i) 'Pricing is not an end by itself but a means to achieve marketing objectives of the firm.'
Discuss any five objectives of Pricing.

(ii) Write short notes on:
(a) Equity shares
(b) Mitigation of Loss as a Principle of Insurance

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Ans :

(i) This means that setting a price isn't just about putting a number on a product—it's about helping the company reach its broader goals, like increasing sales, staying competitive, or maximizing profits. Pricing strategies are tools to achieve business objectives, not just make money.

Five Objectives of Pricing:

1. Profit Maximization : The firm aims to set prices that generate the highest possible profits.
2. Sales Volume Maximization : Pricing is used to boost sales volume, even if it means lower profit per unit.
3. Market Penetration : Firms may set lower prices initially to attract more customers and gain market share.
4. Survival : During tough times (e.g., recession or high competition), prices are adjusted just to keep the business running.
5. Product Quality Leadership : Higher prices may be set to reflect high quality and create a premium brand image.

(ii) (a) Equity Shares : Equity shares represent ownership in a company. Shareholders get voting rights, and a share in profits (dividends) and assets. However, returns are not fixed, and they bear the highest risk if the company faces losses. Equity shareholders are also called residual claimants.

(b) Mitigation of Loss (Principle of Insurance) : According to this principle, the insured must take all reasonable steps to reduce or prevent further loss after an incident occurs. Insurance is not a license to be careless—the policyholder is expected to act as if uninsured, showing responsibility to minimize damage.

QUESTION 6.

(i) 'Trade Unions provide workers with collective bargaining power, enabling them to negotiate for better benefits.'
Explain any five functions of a Trade Union.

(ii) Briefly explain:
(a) Inventory Module of ERP
(b) ATM

Ans :

(i) Trade Unions play a crucial role in protecting and promoting the interests of workers. By working together, employees can negotiate better wages, safer working conditions, and fair treatment.

Five Functions of a Trade Union:

1. Collective Bargaining : Negotiating with employers on behalf of members regarding wages, working hours, benefits, and other conditions.
2. Protection of Rights : Ensuring that workers' legal and contractual rights are upheld and not violated by the employer.
3. Improving Working Conditions : Advocating for safer, healthier, and more humane work environments.
4. Welfare Activities : Organizing benefits like housing, education, healthcare, and recreation for members and their families.
5. Dispute Resolution : Assisting in settling grievances and resolving conflicts between employees and management.

(ii) (a) Inventory Module of ERP (Enterprise Resource Planning) : The Inventory Module in an ERP system helps a business manage and track its stock efficiently. It includes functions like:

1. Monitoring stock levels
2. Recording stock movement (inward/outward)
3. Automating reorder levels
4. Managing warehouses and batch tracking

(b) ATM (Automated Teller Machine) : An ATM is a self-service banking terminal that allows customers to perform financial transactions without visiting a bank branch. Key functions include:

1. Withdrawing cash
2. Checking account balance
3. Depositing money (in some ATMs)
4. Transferring funds between accounts

ATMs provide 24/7 convenience, making banking services faster and more accessible.

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QUESTION 7.

(i) Mention three merits and two demerits of Air Transport.

(ii) (a) Mr. Roy inveqnted a product which uses less harmful chemicals. He paid Sen & Co. ₹5,00,000/- to promote the product. Sen & Co. used the product for their own gain without promoting it.
1. What fraudulent practice was committed?
2. What action can Mr. Roy take?

(b) Write a short note on Bonded Warehouse.

Ans :

(i) Three Merits of Air Transport:
(a) Speed : Fastest mode of transport for long-distance travel.
(b) Ideal for Remote Areas : Can reach regions that lack road or rail connectivity, like mountains or islands.
(c) Suitable for Urgent and Perishable Goods: Great for transporting perishable items (e.g., medicines, flowers) quickly.

Two Demerits of Air Transport:
(a) High Cost : More expensive than other modes, making it less affordable for bulky or low-value goods.
(b) Weather Dependent : Flight delays or cancellations can occur due to bad weather conditions.

(ii) (a) Case: Mr. Roy and Sen & Co.
1. Beach of Contract and Misuse of Funds/Resources (possibly even Breach of Trust), as Sen & Co. failed to promote the product as agreed and used it for their own benefit.
2. Mr. Roy can:
- File a legal suit for damages due to breach of contract.
- Claim compensation for the ₹ 5,00,000 paid.
- Seek injunction to stop unauthorized use of his product.

(b) A Bonded Warehouse is a storage facility where imported goods can be stored without paying customs duties immediately.
1. Goods remain "in bond" until duties are paid.
2. It helps importers defer tax payments and inspect or repackage goods before release.
3. These warehouses are licensed by the government or customs authorities.

QUESTION 8.

(i) Explain any five features of the Consumer Protection Act.

(ii) Briefly explain:
(a) Right to Choose / Right to be Assured
(b) Industrial Relations

Ans :

(i) Five Features of the Consumer Protection Act:
1. Consumer Rights : The Act grants consumers several rights such as the right to safety, right to be informed, right to choose, right to be heard, right to seek redressal, and right to consumer education.
2. Three-Tier Grievance Redressal System : It establishes consumer courts at District, State, and National levels for quick and easy resolution of consumer complaints.
3. Covers All Goods and Services : The Act applies to all goods and services (whether purchased or availed), including online purchases and digital transactions.
4. Speedy Redressal : The Act aims to provide a simple, fast, and inexpensive legal remedy for consumers facing exploitation or unfair practices.
5. Consumer Protection Councils : These are advisory bodies set up at the central, state, and district levels to spread consumer awareness and protect consumer interests.

(ii) (a) Right to Choose / Right to be Assured:
1. The Right to Choose means consumers should have access to a variety of goods and services at competitive prices.
2. It protects consumers from being forced into buying a specific brand or product and ensures freedom of choice in the marketplace.

(b) Industrial Relations : Industrial Relations refers to the relationship between employers and employees (or their unions), and the regulations governing their interactions.
1. It covers areas like wages, working conditions, dispute resolution, and collective bargaining.
2. Good industrial relations promote industrial peace, productivity, and employee satisfaction.

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QUESTION 9.

(i) Discuss the Utility of Budgets.

(ii) This group of people offer raw materials, finished products or various services to a business organization.
(a) Identify this group of stakeholders.
(b) Give four expectations they may have from the business organization.

Ans :

(i) Utility of Budgets : Budgets are essential planning tools used by businesses to forecast income, expenses, and resource allocation. Here are some key utilities:
1. Planning : Budgets help businesses plan their operations and financial activities in advance.
2. Control : By comparing actual performance with budgeted figures, businesses can control overspending or under performance.
3. Resource Allocation : Budgets ensure that resources are allocated efficiently across departments or projects.
4. Decision Making : They provide a financial basis for making informed decisions.
5. Performance Evaluation : Budgets act as benchmarks to assess the performance of various departments or employees.

(ii) (a) Suppliers
(b) Four Expectations Suppliers May Have from a Business Organization:
1. Timely Payments : They expect to be paid on time for the goods or services they supply.
2. Regular Orders : A stable and ongoing business relationship with consistent orders.
3. Clear Communication : Proper coordination regarding order quantities, delivery schedules, and terms.
4. Fair Dealing and Transparency : Ethical business practices and fair treatment in all transactions.

QUESTION 10.

The following Trial Balance was extracted from the books of Mr. Joseph as on 31st March, 2024. You are required to prepare the Trading Account and the Profit and Loss Account for the year ended 31st March, 2024. Also, prepare a Balance Sheet as on 31st March, 2024.

Particulars	Dr. (₹)	Cr. (₹)
Capital		5,00,000
Drawings	7,500	
Opening Stock	20,000	
Purchases and Sales	90,000	2,00,000
Insurance	6,000	
Carriage Inward	1,500	
Carriage Outward	3,000	
Commission		8,000
Bad Debts	400	
Wages	9,500	
Rent	6,000	
Bills Receivable and Bills Payable	12,000	90,000
Cash in Hand	2,100	
Motor Car	9,80,000	
Investments	1,60,000	
Bank Overdraft		3,00,000
Creditors		2,00,000
Total	12,98,000	12,98,000

Note: Closing Stock is ₹20,000 as on 31st March, 2024

Ans :

Trading Account for the Year Ended 31st March, 2024

Dr. (Expenses)	Amount (₹)	Cr. (Incomes)	Amount (₹)
Opening Stock	20000	Sales	200000
Purchases	90000	Closing Stock	20000
Carriage Inward	1500		
Wages	9500		
Gross Profit c/d	99000		
Total	220000	Total	220000

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Profit and Loss Account for the Year Ended 31st March, 2024

Dr. (Expenses)	**Amount (₹)**	**Cr. (Incomes)**	**Amount (₹)**
Insurance	6000	Gross Profit b/d	99,000
Carriage Outward	3000	Commission Received	8,000
Bad Debts	400		
Rent	6000		
Net Profit transferred to Capital A/c	91600		
Total	1,07,000	Total	1,07,000

Balance Sheet as on 31st March, 2024

Liabilities

Particulars	**Amount (₹)**
Capital	5,00,000
Add: Net Profit	91,600
Less: Drawings	(7,500)
Adjusted Capital	5,84,100
Bills Payable	90,000
Bank Overdraft	3,00,000
Creditors	2,00,000
Total Liabilities	11,74,100

Assets

Particulars	**Amount (₹)**
Motor Car	9,80,000
Investments	1,60,000
Cash in Hand	2,100
Bills Receivable	12,000
Closing Stock	20,000
Total Assets	11,74,100

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CHAPTER 1

STAKEHOLDERS IN COMMERCIAL ORGANIZATIONS

SUMMARY

1. STAKEHOLDERS

A stakeholder is any individual, group, or organization that has an interest or is affected by the activities, decisions, or outcomes of a business. Stakeholders can be internal or external to the organization. They include :

1. Owners/shareholders
2. Employees
3. Suppliers
4. Distributors
5. General public
6. Labor unions
7. Creditors
8. Financial institutions
9. Government

2. TYPES OF STAKEHOLDERS

2.1 Internal Stakeholders

Internal stakeholders are directly involved in the operations and management of the organization.

1. Shareholders : Owners of the company who invest capital in the business and expect returns in the form of dividends and increased share value.
2. Employer :Individuals working in the organization, contributing their skills and efforts, and expecting fair compensation, job security, and growth opportunities.
3. Employee : People who manage the organization, make decisions, and aim for the organization's growth and profitability.

2.2 External Stakeholders

External stakeholders are individuals or groups outside the organization, including :

1. Suppliers : Organizations or individuals providing goods, services, or equipment to the business.
2. Creditors : Entities (banks, suppliers, or individuals) that extend credit to the organization, to which the organization owes repayment.
3. Government : Regulates and oversees businesses, imposing taxes and compliance requirements.
4. Society : The organization has responsibilities toward society, as it utilizes societal resources and impacts the community.

3. DIFFERENCES BETWEEN INTERNAL AND EXTERNAL STAKEHOLDERS

Focus on the external impact and relationship with the firm.

1. Internal Stakeholders : Have direct relationships with the organization through employment, ownership, or investments.
2. External Stakeholders : Are indirectly affected by the organization's actions and outcomes but do not work directly within the organization.

4. EXPECTATIONS OF EMPLOYERS/SHAREHOLDERS

1. Profitability : Expect consistent profits to ensure financial stability and business growth.
2. Efficient Operations : Desire smooth functioning and optimal resource utilization.
3. Reputation : Aim for a positive image in the market and trust among stakeholders.

5. EXPECTATIONS OF EMPLOYEES

1. Fair Compensation : Expect competitive salaries and timely payments.
2. Job Security : Seek stability and long-term employment opportunities.
3. Career Growth : Desire skill development, promotions, and training programs.
4. Safe Work Environment : Expect a healthy and secure workplace with proper facilities.

6. EXPECTATIONS OF SUPPLIERS

1. Purchase on Reasonable Terms : Expect businesses to negotiate fair and mutually beneficial terms for goods and services.

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2. Promote Healthy Relationships : Desire respectful and professional communication and interactions
3. Long-Term Partnerships : Prefer consistent and stable business relationships.
4. Fair Prices : Seek reasonable pricing for their goods and services.
5. Transparency : Expect clear communication about orders, payments, and policies.

7. EXPECTATIONS OF CREDITORS/FINANCIAL INSTITUTIONS

1. Undisputed Mortgaged Property : Expect clear ownership and rights over collateral offered by the business.
2. Disclosure of Factual Financial Position : Require accurate and truthful information about the financial health of the organization.
3. Proper Utilization of Debt : Anticipate responsible and productive use of borrowed funds.
4. Regular Payment of Interest and Installments : Expect timely fulfillment of financial obligations.
5. Non-Indulgence in Anti-Social or Illegal Activities : Trust the organization to operate ethically and legally.
6. Proper Communication : Seek regular updates and transparency regarding loan or credit agreements.

8. EXPECTATIONS OF WHOLESALERS/RETAILERS

1. Regular Supply : Expect consistent availability of products to meet customer demands.
2. Advertisement : Desire promotional support from manufacturers to boost product sales.
3. Replacement of Defective Goods : Anticipate prompt action in addressing product defects.
4. Convenient and Attractive Packaging : Prefer user-friendly and visually appealing packaging.
5. Credit Facility : Seek credit options to manage their cash flows effectively.
6. Least Imposition : Expect minimal restrictions and conditions in their dealings.
7. Fair Prices : Look for competitive pricing to maintain profitability

9. EXPECTATIONS OF THE GOVERNMENT

1. Tax Compliance : Timely and accurate payment of taxes and duties.
2. Legal Adherence : Compliance with business laws, labor laws, and environmental regulations.
3. Contribution to Economy : Creation of jobs and contribution to the country's economic development.

10. EXPECTATIONS OF SOCIETY

1. Corporate Social Responsibility (CSR) : Engagement in activities that benefit the community, such as education, healthcare, and environmental protection.
2. Employment Opportunities : Generation of jobs to support the local and national economy.
3. Ethical Practices : Maintaining ethical conduct and transparency in business operations.
4. Environmental Sustainability : Adoption of eco-friendly practices to reduce pollution and conserve resources.

MULTIPLE CHOICE QUESTION

1. Who are stakeholders that contribute to a business from outside the organization?
(a) External Stakeholders
(b) Internal Stakeholders
(c) General Public
(d) Creditors

Ans : MAIN 2024

(a) External Stakeholders
External stakeholders are those who do not work directly with the organization but are influenced by its actions and outcomes. Examples include suppliers, creditors, and public groups.

2. Who provides loans to a commercial organization?
(a) Suppliers
(b) Creditors
(c) Government
(d) Employees

Ans : SQP 2023

(b) Creditors
Creditors are entities that provide monetary loans to organizations.

3. Who are individuals contributing physical and mental effort to an organization?
(a) Employers
(b) Employees
(c) Suppliers
(d) Creditors

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Ans : COMP 2022

(b) Employees
Employees support the organization by working on tasks and helping achieve its long-term goals.

4. Who among the following is NOT an internal stakeholder?
(a) Shareholders
(b) Employers
(c) Employees
(d) Creditors

Ans : MAIN 2020

(d) Creditors
Creditors are external stakeholders as they are outside the organization, unlike internal stakeholders who are directly associated.

5. Who among the following is NOT an external stakeholder?
(a) Government
(b) Society
(c) Shareholders
(d) Suppliers

Ans : SQP 2008

(c) Shareholders
Shareholders are internal stakeholders, whereas external stakeholders are not directly part of the organization.

6. What is a key feature of internal stakeholders?
(a) They have voting rights.
(b) They focus on profit only.
(c) They operate outside the organization.
(d) They do not actively participate in management.

Ans : COMP 2007

(a) They have voting rights.
Internal stakeholders such as shareholders, employers, and employees often have voting rights and actively participate in decision-making processes.

7. Who is a person or entity that supplies goods or services to a business?
(a) Government
(b) Supplier
(c) Society
(d) Shareholder

Ans : MAIN 2016

(b) Supplier
Suppliers provide essential goods and services (e.g., raw materials) required for business operations.

8. Who are the owners of the business organization?
(a) Shareholders
(b) Creditors
(c) Suppliers
(d) Society

Ans : SQP 2013

(a) Shareholders
Shareholders are the legal owners of a company who invest in it and bear the associated risks.

9. Who are the lenders to a business organization?
(a) Shareholders
(b) Creditors
(c) Suppliers
(d) Society

Ans : COMP 2021

(b) Creditors
Creditors provide monetary loans to businesses.

10. Which entity regulates businesses and imposes taxes and duties?
(a) Employers
(b) Government
(c) Society
(d) Employees

Ans : MAIN 2010

(b) Government
The government regulates businesses through laws and imposes taxes and duties.

11. Who contributes to a business from outside the organization?
(a) External Stakeholders
(b) Internal Stakeholders
(c) General Public
(d) Creditors

Ans : SQP 2014

(a) External Stakeholders
External stakeholders are those indirectly influenced by the organization, such as suppliers and creditors.

12. Who expects the organization to follow laws, pay taxes honestly, etc.?
(a) Suppliers
(b) Employees
(c) Government
(d) Competitors

Ans : COMP 2011

(c) Government

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Governments expect organizations to comply with tax laws and pay taxes honestly.

13. To support weaker sections of society by giving them preference in employment, respecting human rights of women and children, etc., is an expectation of :
(a) Employers
(b) Employees
(c) Society
(d) Suppliers

Ans : MAIN 2019

(c) Society
Society expects businesses to give preference to weaker sections, respecting their rights in employment and other areas.

14. Which of these is an expectation of employees?
(a) Fair working conditions
(b) Credit facility
(c) Advertisement
(d) Regular supply

Ans : SQP 2005

(a) Fair working conditions
Employees expect to work in a healthy, pleasant, and safe environment.

15. Which stakeholder expects that the business organization will support during calamities?
(a) Financial institutions
(b) Suppliers
(c) Shareholders
(d) Government

Ans : MAIN 2023

(d) Government
Governments expect organizations to assist victims during calamities to help normalize the situation faster.

16. What does society NOT expect from a business organization?
(a) Fair prices
(b) Optimum use of resources
(c) Indulgence in anti-social or illegal activities
(d) Spreading awareness

Ans : MAIN 2006

(c) Indulgence in anti-social or illegal activities
Society never expects businesses to engage in anti-social or illegal activities as it is ethically and morally wrong.

17. Which of these is NOT an expectation of creditors/financial institutions?
(a) Undisputed mortgaged property
(b) Proper utilization of debt
(c) Disclosure of factual financial position
(d) Market leadership

Ans : SQP 2018

(d) Market leadership
Creditors are primarily concerned about loan repayment and financial transparency, not market leadership.

18. Respect for intellectual property rights is an expectation of :
(a) Competitors
(b) Creditors
(c) Society
(d) Government

Ans : COMP 2003

(a) Competitors
Competitors expect intellectual property rights, like copyrights and patents, to be respected and not misused by others.

19. A company having exclusive control over a commodity or service is called :
(a) Monopoly
(b) Oligopoly
(c) Competition
(d) Duopoly

Ans : MAIN 2004

(a) Monopoly
A monopoly exists when a single seller dominates the market for certain goods or services.

20. Replacement of defective goods is an expectation of :
(a) Government
(b) Employee
(c) Creditor
(d) Wholesaler

Ans : SQP 2009

(d) Wholesaler
Wholesalers or retailers expect businesses to replace defective goods promptly.

21. Donation to charitable trusts and public welfare activities is an expectation of :

Ans : MAIN 2024

General Public

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The general public expects organizations to support weaker sections of society and contribute to its overall development, fostering trust and goodwill.

22. Who expects the organization to follow laws, pay taxes honestly, etc.?
(a) Suppliers
(b) Employees
(c) Government
(d) Competitors

Ans : SQP 2010

(c) Government
Governments expect businesses to adhere to tax laws and fulfill their tax obligations responsibly.

23. Individuals who provide physical and mental effort for an organization are known as :
(a) Employers
(b) Employees
(c) Shareholders
(d) Society

Ans : COMP 2012

(b) Employees
Employees contribute through their work and support the organization in achieving its long-term goals.

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24. Who are stakeholders, and what role do they play in an organization's activities?
(a) Only employees who work for an organization
(b) Individuals or groups that are directly or indirectly influenced by an organization's activities as it pursues its goals
(c) People involved in the supply chain of an organization
(d) None of the above

Ans : MAIN 2002

(b) Individuals or groups that are directly or indirectly influenced by an organization's activities as it pursues its goals
Stakeholders encompass all individuals or groups impacted by an organization's activities, either directly (like employees or owners) or indirectly (like society or creditors). They are not limited to employees or supply chain participants but include anyone affected by the organization's goals and operations.

25. Which of the following is NOT an example of a stakeholder in an organization, and why?
(a) Owners who invest capital in the business
(b) Customers who buy products or services from the organization
(c) Automobiles used by the organization for transportation
(d) Creditors who provide loans or credit to the organization

Ans : SQP 2015

(c) Automobiles used by the organization for transportation
Automobiles are not stakeholders because they are inanimate objects, not individuals or groups. Stakeholders must be entities capable of being influenced by or influencing the organization's decisions and outcomes.

26. Shareholders are also referred to by which term, and what is their primary role in an organization?
(a) Stockholders, and they are legal owners of the corporation's shares
(b) Employees, and they manage day-to-day activities
(c) Suppliers, and they provide goods and services
(d) Creditors, and they offer financial support

Ans : COMP 2017

(a) Stockholders, and they are legal owners of the corporation's shares
Shareholders, also known as stockholders, are individuals or entities that own shares in a corporation, giving them legal ownership and voting rights. Their primary role is to invest in the business, expecting returns in the form of profits and increased share value.

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27. What distinguishes internal stakeholders from external stakeholders in an organization?
(a) Internal stakeholders include individuals directly associated with the organization, while external stakeholders are indirectly affected by its actions
(b) Internal stakeholders are creditors and suppliers, while external stakeholders are employees and managers
(c) Internal stakeholders are part of the government, while external stakeholders are limited to shareholders
(d) Internal stakeholders have no financial relationship with the organization, while external stakeholders own shares

Ans : MAIN 2024

(a) Internal stakeholders include individuals directly associated with the organization, while external stakeholders are indirectly affected by its actions

Internal stakeholders are directly linked to the organization's operations, such as employees, managers, and owners. In contrast, external stakeholders, like suppliers, creditors, and society, do not work directly within the organization but are influenced by its activities and outcomes.

28. Which of the following best describes the role of suppliers as external stakeholders in an organization?

(a) They manage employee relations and training programs
(b) They are responsible for overseeing organizational finances
(c) They provide goods, services, or equipment necessary for the organization's functioning
(d) They regulate and oversee business compliance with legal requirements

Ans : SQP 2023

(c) They provide goods, services, or equipment necessary for the organization's functioning

Suppliers are crucial external stakeholders who provide essential inputs like raw materials, products, or services that help the organization operate effectively. Their role ensures the smooth functioning of the supply chain and impacts the organization's ability to deliver value to its customers.

29. Why are employees considered internal stakeholders, and what are their primary contributions to an organization?

(a) Employees are directly employed by the organization and contribute by managing supplier relations
(b) Employees work for the organization and are responsible for executing tasks, delivering results, and ensuring smooth day-to-day operations
(c) Employees are investors who contribute to organizational capital and oversee market performance
(d) Employees are external stakeholders who influence regulatory compliance and taxation policies

Ans : COMP 2022

(b) Employees work for the organization and are responsible for executing tasks, delivering results, and ensuring smooth day-to-day operations

Employees are internal stakeholders as they are directly involved in the organization's operations. They execute tasks, fulfill responsibilities, and play a critical role in achieving the organization's goals by contributing their skills, time, and efforts.

30. How does the government act as an external stakeholder, and what role does it play in influencing organizations?

(a) By managing internal operations and setting employee wages
(b) By providing raw materials and ensuring product delivery
(c) By regulating and overseeing businesses through compliance requirements, taxation, and legal frameworks
(d) By directly investing in an organization's shares and participating in board meetings

Ans : MAIN 2020

(c) By regulating and overseeing businesses through compliance requirements, taxation, and legal frameworks

The government is an external stakeholder responsible for ensuring organizations comply with laws and regulations. It oversees taxation, promotes fair competition, and enforces policies to protect the interests of society and other stakeholders, influencing how businesses operate.

31. What is the primary expectation of shareholders in an organization, and why is it significant?

(a) They expect training and development programs for employees to improve productivity
(b) They seek profit, market leadership, and an increase in the market value of their shares to gain financial returns
(c) They look for transparency in supplier relations and fair pricing policies
(d) They demand repayment of loans and timely credit settlements

Ans : SQP 2008

(b) They seek profit, market leadership, and an increase in the market value of their shares to gain financial returns

Shareholders invest in an organization expecting financial returns, primarily through profit and capital appreciation. Their interest in market leadership and share value growth aligns with their goal of maximizing their investment.

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32. Which of the following expectations is specific to employees, and how does it impact their performance?
(a) Fair wages, grievance settlement, and career development opportunities improve job satisfaction and productivity
(b) Long-term partnerships and healthy relationships enhance organizational performance
(c) Capital gains and increased market value of shares motivate employees to invest in shares
(d) Transparency in supplier agreements fosters better employee relations

Ans : COMP 2007

(a) Fair wages, grievance settlement, and career development opportunities improve job satisfaction and productivity
Employees expect fair wages, grievance settlement, and career development as these factors directly impact their job satisfaction, motivation, and overall productivity. An organization that fulfills these expectations fosters loyalty and commitment among its workforce.

33. What expectations do suppliers have from organizations, and why are these crucial for maintaining long-term partnerships?
(a) Suppliers expect competitive wages, grievance redressal mechanisms, and participation in management
(b) Suppliers seek repayment of loans and timely interest payments to sustain their business
(c) Suppliers look for reasonable purchase terms, fair prices, transparency, and a healthy, long-term relationship with the organization
(d) Suppliers demand tax exemptions and compliance with government regulations

Ans : MAIN 2016

(c) Suppliers look for reasonable purchase terms, fair prices, transparency, and a healthy, long-term relationship with the organization
Suppliers expect organizations to offer fair purchase terms, maintain transparency, and establish long-term partnerships. These factors foster trust and reliability, ensuring a smooth supply chain and mutual growth.

34. What is the role of creditors as external stakeholders, and what do they expect from organizations?
(a) Creditors are responsible for overseeing day-to-day business operations and expect regular employee training programs.
(b) Creditors lend financial support to organizations and expect timely repayment of loans or credit extended.
(c) Creditors manage the organization's supply chain and expect fair wages.
(d) Creditors are legal owners of shares and expect profits and dividends.

Ans : SQP 2013

(b) Creditors lend financial support to organizations and expect timely repayment of loans or credit extended.
Creditors are external stakeholders who provide financial resources to organizations, such as loans or credit. Their primary expectation is the repayment of these amounts, along with any applicable interest, within the agreed-upon time frame. This ensures their financial security and ongoing relationship with the organization.

35. Which of the following describes the government's expectation from businesses as an external stakeholder?
(a) Businesses should ensure fair wages and working conditions for employees.
(b) Businesses should comply with legal regulations, pay taxes, and contribute to the economy.
(c) Businesses should provide raw materials to the government and assist in policymaking.
(d) Businesses should invest in government-owned corporations and create employment opportunities.

Ans : COMP 2021

(b) Businesses should comply with legal regulations, pay taxes, and contribute to the economy.
The government acts as a regulatory body, ensuring that organizations follow laws, pay taxes, and operate in ways that benefit the overall economy. This expectation helps maintain fair business practices and societal well-being.

36. Why is society considered an external stakeholder, and how does it interact with organizations?
(a) Society funds organizations and expects a return on investment.
(b) Society provides human resources and expects fair wages and training opportunities.
(c) Society utilizes the organization's products and services and expects corporate social responsibility.
(d) Society directly manages the organization and oversees its compliance with labor laws.

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Ans : MAIN 2010

(c) Society utilizes the organization's products and services and expects corporate social responsibility.
Society is an external stakeholder influenced by an organization's operations. It expects businesses to act responsibly by minimizing negative environmental impacts, engaging in community development and offering products or services that benefit people.

37. How do internal stakeholders differ from external stakeholders in terms of their relationship with the organization?
(a) Internal stakeholders are employees and shareholders, while external stakeholders are not associated with the organization.
(b) Internal stakeholders are directly involved in the organization's operations, while external stakeholders are indirectly affected by its activities.
(c) Internal stakeholders regulate the organization, while external stakeholders work for the organization.
(d) Internal stakeholders expect fair wages, while external stakeholders expect profits.

Ans : SQP 2014

(b) Internal stakeholders are directly involved in the organization's operations, while external stakeholders are indirectly affected by its activities.
Internal stakeholders, such as employees, managers, and shareholders, have a direct role in an organization's functioning. External stakeholders, such as suppliers, creditors, and society, are indirectly impacted by the organization's activities without being part of its internal processes.

38. What is the primary expectation of employees from their employer, and how does it affect the workplace?
(a) Employees expect fair wages, career development opportunities, and grievance settlement, which improve workplace satisfaction and performance.
(b) Employees expect profit and capital gain on their investment, which motivates them to remain loyal.
(c) Employees expect transparency in financial transactions, ensuring a healthier organization.
(d) Employees expect government support in creating a better working environment.

Ans : COMP 2011

(a) Employees expect fair wages, career development opportunities, and grievance settlement, which improve workplace satisfaction and performance.
Employees play a crucial role in achieving organizational goals, and fulfilling their expectations helps create a positive and productive workplace. Addressing their needs fosters loyalty, motivation and efficiency.

39. What is the main expectation of shareholders, and how does it influence an organization's objectives?
(a) Shareholders expect fair working conditions and regular grievance resolution.
(b) Shareholders expect the organization to achieve profit, market leadership, and capital appreciation.
(c) Shareholders expect the organization to build long-term relationships with suppliers.
(d) Shareholders expect compliance with labor laws and environmental regulations.

Ans : MAIN 2019

(b) Shareholders expect the organization to achieve profit, market leadership, and capital appreciation.
Shareholders invest capital into the organization with the goal of receiving financial returns. Their expectations influence management to prioritize profitability, market competitiveness, and shareholder value.

40. Which of the following expectations is unique to suppliers, and how does it affect the organization?
(a) Suppliers expect timely repayment of loans and credit provided.
(b) Suppliers expect reasonable purchase terms, fair pricing, and transparency, which strengthen long-term relationships.
(c) Suppliers expect grievance redressal and bonus incentives for their contributions.
(d) Suppliers expect the organization to adhere to legal regulations and pay taxes.

Ans : SQP 2005

(b) Suppliers expect reasonable purchase terms, fair pricing, and transparency, which strengthen long-term relationships.
Suppliers play a critical role in maintaining the organization's supply chain. Fair treatment and clear communication ensure trust and reliability, contributing to a stable and efficient partnership.

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41. What is the role of financial institutions as external stakeholders, and what do they expect from organizations?
(a) Financial institutions regulate the organization's compliance with environmental policies.
(b) Financial institutions provide credit or loans and expect timely repayment with interest.
(c) Financial institutions manage the organization's workforce and supply chain.
(d) Financial institutions directly invest in shares and demand voting rights.

Ans : COMP 2008

(b) Financial institutions provide credit or loans and expect timely repayment with interest.
Financial institutions support organizations by offering funding or credit. Their expectation of timely repayment ensures financial discipline and fosters a mutually beneficial relationship.

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42. How does an organization meet the expectations of society as an external stakeholder?
(a) By generating profit and increasing shareholder value
(b) By offering fair wages and grievance settlement for employees
(c) By practicing corporate social responsibility and minimizing environmental harm
(d) By ensuring transparency in supplier agreements

Ans : MAIN 2006

(c) By practicing corporate social responsibility and minimizing environmental harm
Organizations meet societal expectations by engaging in activities that benefit the community, such as environmental conservation, ethical practices, and community development. This helps maintain a positive image and build trust with the public.

43. Why is it important for an organization to address the expectations of creditors?
(a) To ensure fair wages and bonuses for employees
(b) To maintain access to financial resources by meeting repayment obligations
(c) To promote healthy relationships with suppliers and distributors
(d) To achieve market leadership and shareholder satisfaction

Ans : SQP 2018

(b) To maintain access to financial resources by meeting repayment obligations
Creditors provide critical financial support to organizations. Timely repayment of loans and interest ensures continued access to funding and maintains the organization's financial credibility.

44. Identify the stakeholder group based on the given characteristics.
1. This group provides financial support to the organization, such as loans or credit, and expects timely repayment with interest.
2. They have no direct role in the organization's operations but are critical to its financial stability.
(a) Employees
(b) Creditors
(c) Shareholders
(d) Suppliers

Ans : COMP 2003

(b) Creditors
Creditors are external stakeholders who lend financial resources to organizations. Their primary expectation is the repayment of the credit extended, along with interest, ensuring financial discipline and fostering trust for future funding.

45. Identify the stakeholder group based on the given characteristics.
1. They are legal owners of shares in the organization and contribute capital for its growth.
2. Their primary expectations include profit, market leadership, and an increase in the market value of their shares.
(a) Employees
(b) Shareholders
(c) Suppliers
(d) Government

Ans : MAIN 2004

(b) Shareholders
Shareholders, also called stockholders, invest in the organization by purchasing its shares. They expect financial returns in the form of dividends, capital gains, and increased value for their investments.

46. Identify the stakeholder group based on the given characteristics.
1. They work directly for the organization under a formal or informal contract.

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2. Their expectations include fair wages, career development opportunities, and grievance resolution.

(a) Shareholders
(b) Suppliers
(c) Employees
(d) Creditors

Ans : SQP 2009

(c) Employees
Employees are internal stakeholders who contribute their time and skills to the organization's operations. They expect fair treatment, compensation, and a positive working environment.

47. Identify the principle of stakeholder expectations based on the given characteristics.

1. This group expects organizations to offer fair prices and transparency in transactions.
2. They provide essential goods or services required for the organization's operations.

(a) Creditors
(b) Employees
(c) Suppliers
(d) Shareholders

Ans : COMP 2001

(c) Suppliers
Suppliers are external stakeholders who provide materials or services to the organization. They value fair dealings and long-term partnerships for mutual benefit.

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48. Identify the stakeholder group based on the given characteristics.

1. They ensure that organizations follow legal regulations and pay taxes.
2. They expect businesses to contribute to economic growth and social welfare.

(a) Government
(b) Shareholders
(c) Creditors
(d) Employees

Ans : MAIN 2012

(a) Government
The government is an external stakeholder that regulates businesses to ensure compliance with laws, fair competition, and contributions to public welfare through taxes and responsible practices.

49. Identify the principle of stakeholder expectations based on the given characteristics.

1. This group has a financial interest in the organization and expects repayment with interest.
2. They are essential for providing financial stability and liquidity to the organization.

(a) Creditors
(b) Suppliers
(c) Shareholders
(d) Employees

Ans : SQP 2002

(a) Creditors
Creditors lend money or extend credit to the organization. Their primary expectation is timely repayment of loans, ensuring financial discipline and maintaining trust in the organization.

50. Identify the stakeholder group based on the given characteristics.

1. This group expects fair working conditions, bonuses, and retirement benefits.
2. They directly contribute to achieving organizational goals through their efforts and skills.

(a) Shareholders
(b) Employees
(c) Creditors
(d) Suppliers

Ans : COMP 2015

(b) Employees
Employees are critical internal stakeholders who ensure smooth operations and contribute to the organization's objectives. In return, they expect fair compensation and a supportive work environment.

51. Identify the stakeholder group based on the given characteristics.

1. This group is indirectly influenced by the organization's actions and decisions.
2. They expect the organization to act responsibly and contribute to the community's welfare.

(a) Society
(b) Suppliers
(c) Employees
(d) Shareholders

Ans : MAIN 2017

(a) Society
Society, as an external stakeholder, is impacted by the organization's operations, such as its

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environmental practices and contributions to social development. Organizations are expected to act responsibly and ethically.

52. Identify the principle of stakeholder expectations based on the given characteristics.
1. This group provides goods or services under agreed terms and conditions.
2. They expect transparency, timely payments, and healthy business relationships.

(a) Creditors
(b) Suppliers
(c) Shareholders
(d) Employees

Ans : MAIN 2024

(b) Suppliers
Suppliers are crucial to the supply chain. Fair treatment and transparency strengthen trust and help maintain a steady flow of materials or services.

53. Identify the stakeholder group based on the given characteristics.
1. This group invests in the organization with the expectation of financial returns.
2. They have ownership rights and participate in decision-making through voting.

(a) Shareholders
(b) Employees
(c) Creditors
(d) Suppliers

Ans : SQP 2023

(a) Shareholders
Shareholders own shares in the organization and expect financial returns, such as dividends and capital appreciation. Their voting rights allow them to influence major decisions.

54. Identify the principle of stakeholder expectations based on the given characteristics.
1. This group monitors the organization's compliance with environmental and labor laws.
2. They expect businesses to operate ethically and contribute to societal well-being.

(a) Employees
(b) Government
(c) Society
(d) Creditors

Ans : COMP 2022

(b) Government
The government acts as a regulatory authority to ensure that organizations comply with laws, protect workers' rights, and minimize environmental harm, thus contributing to societal welfare.

55. Identify the principle of stakeholder expectations based on the given characteristics.
1. This group benefits from the organization's operations through the products or services it provides.
2. They expect the organization to deliver quality, value, and reliability in its offerings.

(a) Customers
(b) Shareholders
(c) Employees
(d) Government

Ans : MAIN 2020

(a) Customers
Customers are external stakeholders who directly engage with an organization by purchasing its products or services. Their expectations revolve around quality, reliability, and satisfaction, as these factors influence their trust and loyalty.

55. Identify the principle of stakeholder expectations based on the given characteristics.
1. This group ensures the smooth flow of materials, equipment, or services needed for business operations.
2. They expect fair contracts, timely payments, and long-term partnerships with the organization.

(a) Suppliers
(b) Creditors
(c) Employees
(d) Shareholders

Ans : SQP 2008

(a) Suppliers
Suppliers play a vital role in maintaining the organization's supply chain. To sustain a strong relationship, they require transparent dealings and fair treatment, ensuring mutual trust and stability.

56. Identify the stakeholder group based on the given characteristics.
1. This group works directly within the organization, contributing to its operations and decision-making.
2. They expect fair compensation, participation in management, and retirement benefits.

(a) Employees
(b) Shareholders
(c) Suppliers
(d) Government

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Ans : COMP 2007

(a) Employees
Employees are internal stakeholders who provide their labor and expertise to the organization. Their expectations, such as fair wages, career growth opportunities, and benefits, are essential for workplace satisfaction and productivity.

57. Identify the stakeholder group based on the given characteristics.
1. This group provides the organization with financial support, such as loans or credit.
2. Their primary expectation is the repayment of principal and interest within the agreed timeframe.

(a) Creditors
(b) Shareholders
(c) Suppliers
(d) Government

Ans : MAIN 2016

(a) Creditors
Creditors are external stakeholders who lend money to organizations. Their expectation of repayment ensures the financial stability of both parties and fosters a reliable partnership.

58. Identify the principle of stakeholder expectations based on the given characteristics.
1. This group owns shares in the organization and has a financial stake in its success.
2. They expect profit, dividends, and growth in the value of their investments.

(a) Employees
(b) Shareholders
(c) Creditors
(d) Suppliers

Ans : SQP 2013

(b) Shareholders
Shareholders invest in the organization by purchasing its shares, giving them ownership rights. Their primary expectation is to earn returns on their investment through profit-sharing and capital gains.

59. Identify the stakeholder group based on the given characteristics.
1. This group regulates business activities to ensure compliance with laws and ethical standards.
2. They expect businesses to contribute to the economy through taxes and responsible operations.

(a) Government
(b) Shareholders
(c) Employees
(d) Suppliers

Ans : COMP 2021

(a) Government
The government acts as a regulatory stakeholder, setting and enforcing policies to ensure businesses operate legally and ethically. It expects compliance, tax contributions, and adherence to societal and environmental standards.

60. Identify the stakeholder group based on the given characteristics.
1. They are affected by the organization's environmental and social practices.
2. They expect the organization to act responsibly and contribute positively to the community.

(a) Society
(b) Employees
(c) Suppliers
(d) Shareholders

Ans : MAIN 2010

(a) Society
Society is an external stakeholder impacted by an organization's operations. Organizations are expected to engage in corporate social responsibility, minimize environmental harm, and contribute to the well-being of the community.

61. Identify the stakeholder group based on the given characteristics.
1. They work within the organization, influencing its direction and strategy.
2. They expect control, authority, and returns on their investment.

(a) Managers
(b) Employees
(c) Creditors
(d) Customers

Ans : SQP 2014

(a) Managers
Managers are internal stakeholders who oversee the organization's operations and strategies. They aim to achieve organizational goals while ensuring their own professional growth and recognition.

62. Identify the principle of stakeholder expectations based on the given characteristics.
1. This group ensures that the organization follows laws and pays taxes.

2. They expect the organization to operate ethically and contribute to societal development.

(a) Government
(b) Customers
(c) Employees
(d) Suppliers

Ans : COMP 2011

(a) Government
The government acts as a key external stakeholder by regulating and monitoring business operations. It expects compliance with laws, ethical conduct, and contributions to economic and social growth.

63. Identify the stakeholder group based on the given characteristics.

1. They purchase products or services from the organization and influence its market position.
2. They expect quality, reliability, and value in exchange for their expenditure.

(a) Customers
(b) Shareholders
(c) Employees
(d) Creditors

Ans : MAIN 2019

(a) Customers
Customers are external stakeholders who directly interact with an organization's offerings. Their satisfaction and trust are essential for the organization's reputation, growth, and long-term success.

64. Imagine you are an accountant of ABC Ltd. You need to record an entry for rent paid by the company. What will be the accounting treatment?

(a) Debit side of profit and loss account
(b) Credit side of profit and loss account
(c) Asset side of balance sheet
(d) Liability side of balance sheet

Ans : SQP 2005

(a) Debit side of profit and loss account
Rent paid by the company is an expense, and all expenses are recorded on the debit side of the profit and loss account, reducing the organization's profit.

65. If a company purchases machinery for its operations, what will be the accounting treatment?

(a) Debit side of profit and loss account
(b) Credit side of trading account
(c) Asset side of balance sheet
(d) Liability side of balance sheet

Ans : COMP 2008

(c) Asset side of balance sheet
Machinery purchased by a company is a fixed asset, and all assets are recorded on the asset side of the balance sheet, reflecting the organization's long-term investments.

66. A loan is taken by a company from a financial institution. How should this transaction be recorded in the books of accounts?

(a) Liability side of balance sheet
(b) Asset side of balance sheet
(c) Credit side of profit and loss account
(d) Debit side of profit and loss account

Ans : MAIN 2006

(a) Liability side of balance sheet
A loan is a liability for the company, as it represents an obligation to repay. Hence, it is recorded on the liability side of the balance sheet.

67. How should the depreciation on equipment be accounted for in the books of accounts?

(a) Credit side of profit and loss account
(b) Debit side of profit and loss account
(c) Asset side of balance sheet
(d) Liability side of balance sheet

Ans : SQP 2018

(b) Debit side of profit and loss account
Depreciation is an expense that reduces the value of an asset over time. It is recorded on the debit side of the profit and loss account as it reduces the company's profit.

68. Imagine a company receives payment for services rendered. What will be the accounting treatment?

(a) Credit side of profit and loss account
(b) Debit side of profit and loss account
(c) Liability side of balance sheet
(d) Asset side of balance sheet

Ans : COMP 2003

(a) Credit side of profit and loss account
Payment received for services rendered is revenue for the company. All revenues are recorded on the credit side of the profit and loss account as they increase the company's profit.

69. When a company issues shares to raise capital, how is this transaction recorded?

(a) Debit side of trading account
(b) Asset side of balance sheet
(c) Credit side of profit and loss account
(d) Liability side of balance sheet

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Ans : MAIN 2004

(d) Liability side of balance sheet
Capital raised by issuing shares is considered the company's liability towards its shareholders. It is recorded on the liability side of the balance sheet under "Share Capital."

70. If a company writes off bad debts, how should this be treated in the accounts?
(a) Debit side of profit and loss account
(b) Credit side of profit and loss account
(c) Asset side of balance sheet
(d) Liability side of balance sheet

Ans : SQP 2009

(a) Debit side of profit and loss account
Bad debts represent a loss to the company and are recorded as an expense on the debit side of the profit and loss account, reducing the company's profit.

71. How should cash withdrawn by the owner for personal use (drawings) be recorded in the books of accounts?
(a) Debit side of profit and loss account
(b) Credit side of profit and loss account
(c) Deducted from capital account on the liability side of the balance sheet
(d) Added to capital account on the liability side of the balance sheet

Ans : COMP 2001

(c) Deducted from capital account on the liability side of the balance sheet
Drawings reduce the owner's capital in the business. Hence, it is deducted from the capital account on the liability side of the balance sheet.

72. If a company records interest payable on a loan, where will it be shown?
(a) Liability side of balance sheet
(b) Asset side of balance sheet
(c) Credit side of profit and loss account
(d) Debit side of profit and loss account

Ans : MAIN 2012

(a) Liability side of balance sheet
Interest payable is a liability until it is paid. It is recorded on the liability side of the balance sheet as it represents an obligation to settle the amount.

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73. A company invests in government bonds. What will be the accounting treatment of this transaction?
(a) Liability side of balance sheet
(b) Asset side of balance sheet
(c) Debit side of profit and loss account
(d) Credit side of trading account

Ans : SQP 2002

(b) Asset side of balance sheet
Investment in government bonds is a financial asset for the company. It is recorded on the asset side of the balance sheet under investments.

74. If a company pays insurance premiums for its property, how should it be recorded?
(a) Credit side of profit and loss account
(b) Debit side of profit and loss account
(c) Liability side of balance sheet
(d) Asset side of balance sheet

Ans : COMP 2015

(b) Debit side of profit and loss account
Insurance premiums paid by the company are considered an expense. Expenses are recorded on the debit side of the profit and loss account as they reduce the company's profit.

75. A company receives a loan repayment from a debtor. What is the accounting treatment?
(a) Debit side of profit and loss account
(b) Credit side of profit and loss account
(c) Deducted from assets on the balance sheet
(d) Added to assets on the balance sheet

Ans : MAIN 2017

(d) Added to assets on the balance sheet
When a debtor repays a loan, it increases the company's cash or bank balance, which is recorded on the asset side of the balance sheet under "Cash" or "Accounts Receivable."

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76. How should the purchase of raw materials for production be recorded?
(a) Debit side of trading account
(b) Credit side of trading account
(c) Asset side of balance sheet
(d) Liability side of balance sheet

Ans : MAIN 2024

(a) Debit side of trading account
The cost of raw materials is a direct expense incurred for production. It is recorded on the debit side of the trading account as it directly impacts the cost of goods sold.

77. When a company earns commission income, where should it be recorded?
(a) Debit side of profit and loss account
(b) Credit side of profit and loss account
(c) Asset side of balance sheet
(d) Liability side of balance sheet

Ans : SQP 2023

(b) Credit side of profit and loss account
Commission income is a revenue item for the company. Revenues are recorded on the credit side of the profit and loss account as they increase the company's profit.

78. A company purchases a vehicle for business purposes. What will be the accounting treatment?
(a) Debit side of profit and loss account
(b) Asset side of balance sheet
(c) Credit side of profit and loss account
(d) Liability side of balance sheet

Ans : COMP 2022

(b) Asset side of balance sheet
A vehicle is a fixed asset for the business, and all fixed assets are recorded on the asset side of the balance sheet, representing long-term resources owned by the company.

79. If wages are paid to factory workers, where will this transaction be recorded?
(a) Debit side of trading account
(b) Credit side of trading account
(c) Asset side of balance sheet
(d) Credit side of profit and loss account

Ans : MAIN 2020

(a) Debit side of trading account
Wages paid to factory workers are a direct expense related to production. Such expenses are recorded on the debit side of the trading account as they affect the cost of manufacturing goods.

80. When a company writes off obsolete inventory, how should it be recorded?
(a) Debit side of profit and loss account
(b) Credit side of trading account
(c) Deducted from the asset side of balance sheet
(d) Added to the liability side of balance sheet

Ans : SQP 2008

(a) Debit side of profit and loss account
Writing off obsolete inventory is considered a loss to the company. Such losses are recorded on the debit side of the profit and loss account as they reduce the company's profit.

81. If a company receives advance payments from a customer, how should it be recorded?
(a) Liability side of balance sheet
(b) Asset side of balance sheet
(c) Debit side of trading account
(d) Credit side of profit and loss account

Ans : COMP 2007

(a) Liability side of balance sheet
Advance payments received from customers represent an obligation to deliver goods or services in the future. It is recorded on the liability side of the balance sheet as "Unearned Revenue."

82. How should the payment of dividends to shareholders be recorded?
(a) Debit side of profit and loss account
(b) Liability side of balance sheet
(c) Deducted from retained earnings on the balance sheet
(d) Credit side of trading account

Ans : MAIN 2016

(c) Deducted from retained earnings on the balance sheet
Dividends paid to shareholders reduce the retained earnings of the company. This reduction is reflected in the equity section of the balance sheet.

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83. If the company incurs a loss on the sale of a fixed asset, where should it be recorded?
(a) Debit side of profit and loss account
(b) Credit side of profit and loss account
(c) Asset side of balance sheet
(d) Liability side of balance sheet

Ans : SQP 2013

(a) Debit side of profit and loss account
A loss on the sale of a fixed asset is treated as an expense and is recorded on the debit side of the profit and loss account, as it reduces the overall profit of the company.

ASSERTION AND REASON

84. **Assertion (A) :** Stakeholders include individuals or groups directly or indirectly influenced by an organization's activities.

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Reason (R) : Stakeholders are limited to employees and shareholders.

(a) Both A and R are true, and R is the correct explanation of A.

(b) Both A and R are true, but R is not the correct explanation of A.

(c) A is true, but R is false.

(d) A is false, but R is true.

Ans : MAIN 2024

(c) A is true, but R is false.

Stakeholders include a broader group such as employees, shareholders, creditors, suppliers, and society, not just employees and shareholders.

85. **Assertion (A) :** Employees are considered internal stakeholders of an organization.

Reason (R) : Internal stakeholders are individuals who have a direct relationship with the organization through employment, ownership, or investments.

(a) Both A and R are true, and R is the correct explanation of A.

(b) Both A and R are true, but R is not the correct explanation of A.

(c) A is true, but R is false.

(d) A is false, but R is true.

Ans : SQP 2023

(a) Both A and R are true, and R is the correct explanation of A.

Employees, being directly employed by the organization, are internal stakeholders who contribute to its operations.

86. **Assertion (A) :** Suppliers are considered internal stakeholders.

Reason (R) : Suppliers provide goods, services, or equipment to the organization.

(a) Both A and R are true, and R is the correct explanation of A.

(b) Both A and R are true, but R is not the correct explanation of A.

(c) A is true, but R is false.

(d) A is false, but R is true.

Ans : SQP 2018

(d) A is false, but R is true.

Suppliers are external stakeholders as they are not directly involved in the organization's internal operations.

87. **Assertion (A) :** Shareholders expect profit and capital appreciation from the organization.

Reason (R) : Shareholders are the legal owners of the corporation's shares.

(a) Both A and R are true, and R is the correct explanation of A.

(b) Both A and R are true, but R is not the correct explanation of A.

(c) A is true, but R is false.

(d) A is false, but R is true.

Ans : COMP 2003

(a) Both A and R are true, and R is the correct explanation of A.

Shareholders, being owners of the corporation, invest to gain financial returns in the form of profit and capital growth.

88. **Assertion (A) :** Society is an external stakeholder of an organization.

Reason (R) : Organizations utilize societal resources and have responsibilities toward the community.

(a) Both A and R are true, and R is the correct explanation of A.

(b) Both A and R are true, but R is not the correct explanation of A.

(c) A is true, but R is false.

(d) A is false, but R is true.

Ans : MAIN 2004

(a) Both A and R are true, and R is the correct explanation of A.

Organizations impact society through their operations and have a responsibility to minimize harm and contribute positively to the community.

89. **Assertion (A) :** Creditors are internal stakeholders because they lend financial support to the organization.

Reason (R) : Creditors provide loans or credit to the organization and expect repayment with interest.

(a) Both A and R are true, and R is the correct explanation of A.

(b) Both A and R are true, but R is not the correct explanation of A.

(c) A is true, but R is false.

(d) A is false, but R is true.

Ans : SQP 2009

(d) A is false, but R is true.

Creditors are external stakeholders as they are not directly involved in the internal operations of the organization but provide financial support externally.

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90. **Assertion (A) :** Government is an external stakeholder responsible for regulating business operations.
Reason (R) : Government ensures businesses comply with legal regulations and contribute to economic development.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2001

(a) Both A and R are true, and R is the correct explanation of A.
The government plays a vital role in overseeing businesses and ensuring compliance with laws to promote fair practices and economic growth.

91. **Assertion (A) :** Suppliers expect fair purchase terms and long-term partnerships with the organization.
Reason (R) : Suppliers provide goods and services that are essential for the organization's operations.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2012

(a) Both A and R are true, and R is the correct explanation of A.
Suppliers are external stakeholders who play a crucial role in the supply chain. Fair dealings foster trust and long-term relationships with them.

92. **Assertion (A) :** Employees expect fair wages, retirement benefits, and grievance redressal.
Reason (R) : Employees directly contribute to the organization's operations and success.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2002

(a) Both A and R are true, and R is the correct explanation of A.
Employees are internal stakeholders whose efforts drive the organization. Their expectations are tied to their contributions and the value they bring.

93. **Assertion (A) :** Internal stakeholders are indirectly impacted by the organization's actions.
Reason (R) : Internal stakeholders are directly involved in the organization's operations through roles like employment or ownership.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2015

(d) A is false, but R is true.
Internal stakeholders are directly affected and involved in the organization, unlike external stakeholders who are indirectly influenced by its actions.

94. **Assertion (A) :** Shareholders are internal stakeholders who expect dividends and capital gains from the organization.
Reason (R) : Shareholders invest in the company and have ownership rights over its operations.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2017

(a) Both A and R are true, and R is the correct explanation of A.
Shareholders, as internal stakeholders, own shares in the organization and expect financial returns such as dividends and increased share value. Their ownership gives them rights in decision-making processes.

95. **Assertion (A) :** Suppliers are directly responsible for the organization's production decisions.
Reason (R) : Suppliers provide essential inputs, such as raw materials and equipment, to the organization.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

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Ans : SQP 2024

(d) A is false, but R is true.
Suppliers are external stakeholders who provide inputs required for production but are not directly responsible for the organization's production decisions, which are made internally.

96. **Assertion (A) :** Employees expect training and development opportunities to enhance their skills.
Reason (R) : Organizations benefit from training employees as it improves productivity and efficiency.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2023

(a) Both A and R are true, and R is the correct explanation of A.
Employees seek training to grow professionally, and organizations benefit as trained employees contribute more effectively, making it a mutually beneficial expectation.

97. **Assertion (A) :** Creditors are external stakeholders who expect profit from the organization's success.
Reason (R) : Creditors lend financial resources to the organization and expect timely repayment of loans and interest.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2022

(d) A is false, but R is true.
Creditors are external stakeholders who do not share in the organization's profits but instead expect repayment of the loan or credit extended, along with any agreed-upon interest.

98. **Assertion (A) :** The government acts as an internal stakeholder of the organization.
Reason (R) : The government monitors compliance with laws and regulations and collects taxes from businesses.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2020

(d) A is false, but R is true.
The government is an external stakeholder that regulates businesses to ensure compliance with laws and collects taxes. It is not directly involved in the organization's internal operations.

99. **Assertion (A) :** Society has no direct impact on an organization's operations.
Reason (R) : Society expects organizations to act responsibly by minimizing environmental harm and contributing to community welfare.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2018

(d) A is false, but R is true.
Society can impact an organization's operations through consumer behavior and public opinion. Organizations have responsibilities toward society, such as ethical practices and environmental conservation.

100. **Assertion (A) :** Internal stakeholders include creditors, suppliers, and society.
Reason (R) : Internal stakeholders have direct relationships with the organization through employment, ownership, or investment.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2003

(d) A is false, but R is true.
Internal stakeholders include employees, owners, and shareholders, while creditors, suppliers, and society are external stakeholders who do not have direct roles within the organization.

101. **Assertion (A) :** Shareholders expect regular interaction with the management of the organization.
Reason (R) : Shareholders have ownership rights and may influence decisions through voting.

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(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2004

(a) Both A and R are true, and R is the correct explanation of A.
Shareholders, being owners of the organization, have a right to interact with management to stay informed about decisions that may affect their investments and exercise their voting rights.

102. **Assertion (A) :** Suppliers expect long-term partnerships with the organization.
Reason (R) : Fair dealings and timely payments by the organization foster trust and reliability with suppliers.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2009

(a) Both A and R are true, and R is the correct explanation of A.
Suppliers value fair dealings and timely payments, which encourage long-term partnerships and ensure smooth supply chain operations.

103. **Assertion (A) :** Creditors are more interested in the organization's profitability than its liquidity.
Reason (R) : Creditors rely on the organization's ability to repay loans and interest on time.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2010

(d) A is false, but R is true.
Creditors are primarily concerned with the organization's liquidity, as it determines the ability to meet short-term obligations. Profitability is important but secondary to liquidity in the context of loan repayment.

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STATEMENT BASED QUESTIONS

104. When a supplier delivers goods to an organization, identify which of the following will be true :
I The supplier expects timely payments.
II The supplier becomes an internal stakeholder.
III The supplier expects transparency and fair dealings.
IV The supplier directly participates in decision-making within the organization.
(a) I and II are true
(b) II and IV are true
(c) I and III are true
(d) III and IV are true

Ans : MAIN 2024

(c) I and III are true
Suppliers are external stakeholders who expect timely payments and fair dealings in their transactions with the organization. They do not become internal stakeholders or directly participate in the organization's decision-making process.

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105. When creditors extend loans to an organization, identify which of the following will be true :
I Creditors expect repayment with interest.
II Creditors are considered internal stakeholders.
III Creditors focus on the organization's liquidity to assess repayment capacity.
IV Creditors expect to share in the organization's profits.
(a) I and II are true
(b) II and IV are true
(c) I and III are true
(d) III and IV are true

Ans : COMP 2007

(c) I and III are true
Creditors are external stakeholders who lend money to the organization. They expect repayment of loans with interest and focus on the organization's liquidity to ensure timely payments. They do not share in the organization's profits or become internal stakeholders.

106. When shareholders invest in an organization, identify which of the following will be true :
I Shareholders expect dividends and capital appreciation.
II Shareholders are considered external stakeholders.
III Shareholders have ownership rights in the organization.

IV Shareholders expect to participate in management decisions through voting rights.
(a) I and III are true
(b) II and III are true
(c) I, III, and IV are true
(d) II and IV are true

Ans : MAIN 2016

(c) I, III, and IV are true
Shareholders are internal stakeholders who own shares in the organization. They expect financial returns through dividends and capital gains and have the right to participate in major management decisions via voting. They are not external stakeholders.

107. When the government interacts with an organization, identify which of the following will be true :
I The government is considered an internal stakeholder.
II The government expects compliance with laws and tax regulations.
III The government regulates business operations to ensure fair practices.
IV The government expects dividends from the organization.
(a) I and II are true
(b) II and III are true
(c) I and IV are true
(d) III and IV are true

Ans : SQP 2013

(b) II and III are true
The government, as an external stakeholder, regulates organizations by enforcing compliance with laws and taxes and ensuring fair practices. It is not an internal stakeholder and does not receive dividends from the organization.

108. When employees work for an organization, identify which of the following will be true :
I Employees expect fair wages and working conditions.
II Employees are internal stakeholders.
III Employees expect long-term partnerships with the organization.
IV Employees participate in the organization's decision-making processes.
(a) I and II are true
(b) II and III are true
(c) III and IV are true
(d) I and IV are true

Ans : COMP 2021

(a) I and II are true
Employees are internal stakeholders who expect fair wages, safe working conditions, and career growth opportunities. While they contribute to the organization's operations, they do not participate directly in major decision-making processes or expect long-term partnerships like suppliers do.

109. When society is impacted by an organization's operations, identify which of the following will be true :
I Society expects the organization to engage in corporate social responsibility (CSR).
II Society is considered an internal stakeholder.
III Society expects the organization to minimize environmental harm.
IV Society directly participates in the organization's management decisions.
(a) I and III are true
(b) II and IV are true
(c) III and IV are true
(d) I and II are true

Ans : MAIN 2010

(a) I and III are true
Society, as an external stakeholder, expects organizations to act responsibly by engaging in CSR activities and minimizing environmental harm. Society does not directly participate in the organization's management or become an internal stakeholder.

110. When an organization interacts with its suppliers, identify which of the following will be true :
I Suppliers expect fair prices for the goods and services they provide.
II Suppliers are internal stakeholders of the organization.
III Suppliers expect timely payments.
IV Suppliers participate in internal decision-making processes.
(a) I and II are true
(b) II and IV are true
(c) I and III are true
(d) III and IV are true

Ans : SQP 2014

(c) I and III are true
Suppliers are external stakeholders who expect fair prices and timely payments for the goods and services they provide. They do not participate in internal decision-making or become internal stakeholders.

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111. When shareholders invest in an organization, identify which of the following will be true :
I Shareholders expect profit from their investment.
II Shareholders are directly involved in daily operations.
III Shareholders expect regular interaction with the management.
IV Shareholders do not influence major decisions.
(a) I and III are true
(b) II and III are true
(c) I and IV are true
(d) III and IV are true

Ans : COMP 2011

(a) I and III are true
Shareholders are internal stakeholders who invest in the organization and expect profit in the form of dividends. They often interact with management to stay informed and may influence major decisions through voting rights. However, they are not involved in daily operations.

112. When creditors extend loans to an organization, identify which of the following will be true :
I Creditors expect repayment within the agreed timeframe.
II Creditors share the organization's profits.
III Creditors assess the organization's liquidity.
IV Creditors are internal stakeholders.
(a) I and III are true
(b) II and III are true
(c) I and IV are true
(d) III and IV are true

Ans : MAIN 2019

(a) I and III are true
Creditors, as external stakeholders, expect timely repayment of loans and focus on the organization's liquidity to ensure repayment capacity. They do not share in profits or become internal stakeholders.

113. When the organization's actions impact society, identify which of the following will be true :
I Society expects the organization to contribute to economic development.
II Society expects the organization to act ethically.
III Society participates in the organization's profit-sharing.
IV Society influences the organization's public image.
(a) I and II are true
(b) II and IV are true
(c) I, II, and IV are true
(d) I, III, and IV are true

Ans : SQP 2005

(c) I, II, and IV are true
Society expects organizations to contribute to economic growth, act ethically, and maintain a positive public image. Society does not share in the organization's profits but significantly influences its reputation through public perception.

114. When an organization interacts with its employees, identify which of the following will be true :
I Employees expect fair working conditions and timely wages.
II Employees are external stakeholders of the organization.
III Employees contribute directly to achieving organizational goals.
IV Employees do not influence the internal culture of the organization.
(a) I and III are true
(b) II and IV are true
(c) I, III, and IV are true
(d) I and II are true

Ans : COMP 2008

(a) I and III are true
Employees are internal stakeholders who directly contribute to the success of the organization. They expect fair treatment, wages, and career development opportunities. Employees also influence the internal culture, making "IV" incorrect.

115. When shareholders invest in an organization, identify which of the following will be true :
I Shareholders expect regular dividends.
II Shareholders expect the market value of their shares to increase.
III Shareholders are external stakeholders.
IV Shareholders do not participate in decision-making processes.
(a) I and II are true
(b) II and III are true
(c) I and IV are true
(d) III and IV are true

Ans : MAIN 2006

(a) I and II are true
Shareholders, as internal stakeholders, expect financial returns in the form of dividends and increased share value. They participate in

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decision-making through voting rights, making "IV" incorrect, and they are internal, not external, stakeholders.

116. When creditors interact with an organization, identify which of the following will be true :
I Creditors expect repayment of loans with interest.
II Creditors participate in the organization's decision-making.
III Creditors focus on the organization's financial liquidity.
IV Creditors are considered internal stakeholders.
(a) I and III are true
(b) II and IV are true
(c) I and II are true
(d) III and IV are true

Ans : SQP 2018

(a) I and III are true
Creditors, as external stakeholders, expect repayment of their loans along with interest and closely monitor the organization's liquidity to ensure its repayment capacity. They do not participate in decision-making and are not internal stakeholders.

117. When suppliers provide goods or services to an organization, identify which of the following will be true :
I Suppliers expect fair prices for their goods or services.
II Suppliers are internal stakeholders.
III Suppliers expect long-term partnerships with the organization.
IV Suppliers directly participate in internal operations.
(a) I and II are true
(b) I and III are true
(c) II and IV are true
(d) III and IV are true

Ans : COMP 2003

(b) I and III are true
Suppliers are external stakeholders who expect fair dealings, timely payments, and the development of long-term partnerships. They do not participate in internal operations or become internal stakeholders.

118. When society interacts with an organization, identify which of the following will be true :
I Society expects the organization to contribute to community welfare.
II Society expects the organization to operate ethically.
III Society participates in the organization's management.
IV Society expects the organization to minimize environmental harm.
(a) I and III are true
(b) II and IV are true
(c) I, II, and IV are true
(d) II and III are true

Ans : MAIN 2004

(c) I, II, and IV are true
Society, as an external stakeholder, expects the organization to operate responsibly by contributing to community welfare, acting ethically, and reducing environmental harm. Society does not participate in management, making "III" incorrect.

119. When an organization deals with the government, identify which of the following will be true :
I The government expects organizations to pay taxes.
II The government enforces laws and regulations.
III The government is considered an internal stakeholder.
IV The government expects organizations to follow compliance requirements.
(a) I and III are true
(b) I and IV are true
(c) II and IV are true
(d) I, II, and IV are true

Ans : SQP 2009

(d) I, II, and IV are true
The government is an external stakeholder that regulates business operations by enforcing laws, ensuring compliance, and collecting taxes. It is not an internal stakeholder, making "III" incorrect.

120. When employees work for an organization, identify which of the following will be true :
I Employees expect bonuses and incentives for their contributions.
II Employees are external stakeholders.
III Employees influence the internal culture of the organization.
IV Employees are responsible for achieving organizational goals.
(a) I and III are true
(b) II and IV are true
(c) I, III, and IV are true
(d) II and III are true

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Ans : COMP 2001

(c) I, III, and IV are true
Employees, as internal stakeholders, contribute to achieving organizational goals and influence its culture. They expect rewards, such as bonuses, for their performance. They are not external stakeholders, making "II" incorrect.

121. When a shareholder interacts with an organization, identify which of the following will be true :
I Shareholders expect financial returns on their investment.
II Shareholders directly manage the day-to-day operations of the organization.
III Shareholders influence major decisions through voting rights.
IV Shareholders expect market leadership from the organization.
(a) I and III are true
(b) II and III are true
(c) III and IV are true
(d) I, III, and IV are true

Ans : MAIN 2012

(d) I, III, and IV are true
Shareholders expect financial returns, influence major decisions through voting rights, and look for market leadership to ensure the growth of their investments. They do not manage daily operations, making "II" incorrect.

122. When creditors provide loans to an organization, identify which of the following will be true :
I Creditors expect regular dividends.
II Creditors monitor the organization's financial stability.
III Creditors focus on the organization's ability to repay debts.
IV Creditors participate in profit-sharing arrangements.
(a) I and III are true
(b) II and III are true
(c) I and IV are true
(d) II and IV are true

Ans : SQP 2002

(b) II and III are true
Creditors, as external stakeholders, monitor the organization's financial stability and liquidity to ensure its ability to repay debts. They do not expect dividends or profit-sharing, making "I" and "IV" incorrect.

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123. When a supplier interacts with an organization, identify which of the following will be true :
I Suppliers expect timely payments for goods and services.
II Suppliers influence the organization's public image.
III Suppliers are considered external stakeholders.
IV Suppliers directly manage the organization's operations.
(a) I and II are true
(b) I and III are true
(c) II and IV are true
(d) III and IV are true

Ans : COMP 2015

(b) I and III are true
Suppliers expect timely payments and are external stakeholders who contribute to the organization's supply chain. They do not manage the organization's operations or influence its public image directly, making "II" and "IV" incorrect.

PICTURE BASED QUESTIONS

124. Identify the picture.

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(a) Factory
(b) Retail Store
(c) Warehouse
(d) Office

Ans : MAIN 2024

(b) Retail Store
The image shows a retail store with products displayed for customers to purchase. It is different from a warehouse, which is used for storage, and a factory, which is used for production.

125. Identify the picture.

(a) Warehouse
(b) Factory
(c) Bank
(d) Retail Store

Ans : SQP 2023

(b) Factory
The image represents a factory where goods are manufactured using machinery. A warehouse stores goods, while a bank and retail store serve different purposes unrelated to production.

126. Identify the picture.

(a) Conference Room
(b) Warehouse
(c) Retail Store
(d) Budget Office

Ans : COMP 2021

(a) Conference Room
The image shows a conference room, typically used for meetings and discussions. This is distinct from storage or retail spaces.

127. Identify the picture.

(a) Factory
(b) Logistics Hub
(c) Warehouse
(d) Retail Store

Ans : MAIN 2010

(b) Logistics Hub
The image represents a logistics hub, where goods are stored, organized, and transported. Unlike a warehouse, a logistics hub focuses on transportation and distribution.

128. Identify the picture.

(a) Bank
(b) Filing Room
(c) Warehouse
(d) Forecasting Room

Ans : SQP 2014

(b) Filing Room
The image represents a filing room where records and documents are stored systematically. It is unrelated to a warehouse or bank.

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129. Identify the picture.

(a) Retail Checkout Counter
(b) Warehouse Storage
(c) Factory Assembly Line
(d) Conference Room

Ans : COMP 2011

(a) Retail Checkout Counter
The image shows a retail checkout counter, where customers pay for their purchases. This is different from storage or production facilities.

130. Identify the picture.

(a) Retail Store
(b) Warehouse
(c) Office Space
(d) Logistics Hub

Ans : MAIN 2019

(c) Office Space
The image represents an office space where employees work on administrative tasks. It is distinct from storage, production, or retail areas.

131. Identify the picture.

(a) Warehouse
(b) Retail Store
(c) Conference Room
(d) Factory

Ans : SQP 2005

(a) Warehouse
The image shows a warehouse used for storing goods before they are distributed or sold. It differs from retail or production environments.

132. Identify the picture.

(a) Budget Analysis
(b) Logistics Management
(c) Retail Checkout
(d) Warehouse Planning

Ans : COMP 2008

(a) Budget Analysis
The image represents budget analysis, where financial data is reviewed to make business decisions. This is unrelated to logistics, storage, or retail operations.

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133. Identify the picture.

(a) Transportation
(b) Warehouse
(c) Factory
(d) Budget Office

Ans : MAIN 2006

(a) Transportation
The image shows transportation, an essential part of the supply chain where goods are moved from one location to another. It complements warehouses and factories but is distinct from them.

TRUE FALSE QUESTIONS

134. The government acts as a regulatory body ensuring businesses comply with legal and tax obligations.
(a) True
(b) False

Ans : MAIN 2024

(a) True
The government is an external stakeholder responsible for regulating organizations by enforcing laws and tax policies. This ensures compliance with legal standards and contributes to societal and economic welfare.

135. Employees are external stakeholders who expect bonuses and fair wages.
(a) True
(b) False

Ans : SQP 2023

(b) False
Employees are internal stakeholders because they work directly within the organization. Their expectations, such as bonuses, fair wages, and good working conditions, are tied to their employment relationship.

136. Suppliers provide goods and services to an organization and expect fair prices and long-term partnerships.
(a) True
(b) False

Ans : COMP 2022

(a) True
Suppliers are external stakeholders who supply essential inputs like raw materials or services. Their expectations include fair dealings, timely payments, and long-term, mutually beneficial relationships.

137. Shareholders expect regular dividends and an increase in the market value of their investments.
(a) True
(b) False

Ans : MAIN 2020

(a) True
Shareholders are internal stakeholders who invest in the organization by purchasing shares. They expect financial returns in the form of dividends and capital appreciation.

138. Creditors are internal stakeholders who ensure the organization's financial stability by managing loans.
(a) True
(b) False

Ans : SQP 2008

(b) False
Creditors are external stakeholders, as they provide loans or credit to the organization. They are not directly involved in internal operations but expect timely repayment of the loan and interest.

139. Society expects organizations to minimize environmental harm and engage in community development activities.
(a) True
(b) False

Ans : COMP 2007

(a) True

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Society, as an external stakeholder, is influenced by an organization's activities. It expects businesses to act responsibly by reducing environmental impact and contributing to the well-being of the community.

140. The government is considered an internal stakeholder of organizations as it monitors their activities.
(a) True
(b) False

Ans : MAIN 2016

(b) False
The government is an external stakeholder. It regulates business activities through laws and policies but is not directly involved in the organization's internal operations.

141. Internal stakeholders include shareholders, employees, and owners of the organization.
(a) True
(b) False

Ans : SQP 2013

(a) True
Internal stakeholders are directly connected to the organization's operations. They include shareholders (owners of the organization), employees, and management.

142. Suppliers are directly involved in the organization's internal decision-making process.
(a) True
(b) False

Ans : COMP 2021

(b) False
Suppliers are external stakeholders who provide goods or services to the organization. They do not participate in internal decision-making processes but are vital to the organization's supply chain.

143. Creditors expect repayment of loans and interest within an agreed timeframe rather than sharing profits.
(a) True
(b) False

Ans : MAIN 2010

(a) True
Creditors lend money or extend credit to the organization. Their primary concern is the timely repayment of the principal and interest, and they do not share in the organization's profits.

144. Shareholders are entitled to participate in the organization's decision-making through voting rights.
(a) True
(b) False

Ans : SQP 2014

(a) True
Shareholders, as owners of the organization, have voting rights that allow them to participate in major decisions, such as electing board members or approving mergers.

145. Employees are external stakeholders because they have a financial interest in the organization.
(a) True
(b) False

Ans : COMP 2011

(b) False
Employees are internal stakeholders as they are directly involved in the organization's operations. Their financial interest, such as wages and bonuses, stems from their employment, not from external engagement.

146. The primary expectation of creditors is the organization's profitability.
(a) True
(b) False

Ans : MAIN 2019

(b) False
Creditors prioritize the organization's liquidity, as it determines the ability to meet financial obligations. While profitability is important, it is secondary to liquidity in their perspective.

147. Suppliers expect transparency and fair dealings from organizations.
(a) True
(b) False

Ans : SQP 2005

(a) True
Suppliers play a critical role in the supply chain and expect organizations to maintain transparency, fairness, and prompt payments to foster trust and long-term relationships.

148. Shareholders are external stakeholders who receive dividends and bonuses from the organization.
(a) True
(b) False

Ans : COMP 2008

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(b) False
Shareholders are internal stakeholders because they own shares in the organization. They receive dividends as a return on their investment, but they are not considered external to the organization.

149. The government expects organizations to comply with laws, pay taxes, and contribute to economic growth.
(a) True
(b) False

Ans : MAIN 2006

(a) True
The government, as an external stakeholder, regulates organizations to ensure they follow legal frameworks, pay taxes, and contribute to the economy by generating employment and wealth.

150. Society is considered an internal stakeholder because it directly participates in the organization's operations.
(a) True
(b) False

Ans : SQP 2018

(b) False
Society is an external stakeholder, as it is indirectly impacted by an organization's actions. While society influences public perception and consumer behavior, it does not directly participate in operations.

151. Creditors do not influence the organization's financial decisions.
(a) True
(b) False

Ans : COMP 2003

(b) False
Creditors influence financial decisions by setting terms for loans or credit. Their requirements, such as repayment schedules and interest rates, directly impact the organization's financial strategies.

152. Suppliers rely on organizations for revenue, and fair dealings are essential for maintaining long-term partnerships.
(a) True
(b) False

Ans : MAIN 2004

(a) True
Suppliers depend on organizations to purchase goods and services, and fair dealings ensure trust and reliability, fostering sustainable partnerships over time.

153. Shareholders' expectations from an organization include profitability, market leadership, and growth.
(a) True
(b) False

Ans : SQP 2009

(a) True
Shareholders invest in the organization and expect financial returns in the form of profitability, increased share value, and growth to maximize their capital gains.

154. Employees' expectations include retirement benefits, grievance settlement, and training opportunities.
(a) True
(b) False

Ans : COMP 2001

(a) True
Employees, as internal stakeholders, expect fair treatment, career development, and benefits that enhance their job satisfaction and financial security.

155. External stakeholders, such as suppliers and creditors, have no influence on an organization's operations.
(a) True
(b) False

Ans : MAIN 2012

(b) False
External stakeholders like suppliers and creditors significantly influence operations by providing essential goods, services, and financial resources, which are critical to the organization's success.

156. Shareholders have no right to participate in decision-making processes of the organization.
(a) True
(b) False

Ans : SQP 2002

(b) False
Shareholders, as part-owners of the organization, have voting rights that allow them to influence important decisions, such as electing board members or approving major corporate actions.

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157. The government, as an external stakeholder, imposes taxes and regulates businesses to ensure fair practices.
(a) True
(b) False

Ans : COMP 2015

(a) True
The government oversees business operations to ensure legal compliance, fair competition, and societal benefits through taxes and regulatory measures.

158. Suppliers expect organizations to settle payments promptly and honor contractual agreements.
(a) True
(b) False

Ans : MAIN 2017

(a) True
Suppliers rely on timely payments and adherence to agreements to maintain their financial stability and build trust with organizations, ensuring a smooth supply chain.

159. Creditors are more concerned about the profitability of the organization than its ability to repay debts.
(a) True
(b) False

Ans : MAIN 2024

(b) False
Creditors prioritize liquidity and repayment capacity over profitability. While profitability is important, creditors focus on the organization's ability to meet its financial obligations.

160. Employees, as internal stakeholders, are responsible for the success of an organization's operations.
(a) True
(b) False

Ans : SQP 2023

(a) True
Employees play a crucial role in achieving organizational objectives through their work and skills. Their performance directly impacts the organization's success.

161. Shareholders are external stakeholders who do not contribute financially to the organization.
(a) True
(b) False

Ans : COMP 2022

(b) False
Shareholders are internal stakeholders who invest capital in the organization by purchasing its shares. They are directly involved in its financial success.

162. Society expects businesses to engage in corporate social responsibility (CSR) activities to benefit the community.
(a) True
(b) False

Ans : MAIN 2020

(a) True
Society, as an external stakeholder, expects organizations to contribute positively by addressing environmental and social concerns, enhancing the community's well-being.

163. Internal stakeholders, such as employees and shareholders, are directly involved in the organization's decision-making process.
(a) True
(b) False

Ans : SQP 2008

(a) True
Internal stakeholders are directly associated with the organization and play active roles in its operations and decision-making processes, influencing its strategy and performance.

TWO MARK QUESTIONS

164. Distinguish between Internal and External Stakeholders.

Ans : MAIN 2024

Point of Distinction	Internal Stakeholders	External Stakeholders
Position	Operate from within the organization.	Operate from outside the organization.
Role	Actively participate in management and working of the organization.	Do not actively participate in management and operations.

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Constituents	Includes employers (owners and managers) and employees.	Includes suppliers, customers, competitors, government, and the general public.
Risk	High risk.	Low risk.
Voting Rights	Have voting rights.	Do not have voting rights.

165. Distinguish between Stakeholders and Shareholders.

Ans : SQP 2023

Stakeholders

1. A stakeholder is any individual or group with an interest or stake in a company or organization.
2. Stakeholders influence or are affected by the company's policies and objectives.
3. Not all stakeholders are shareholders.
4. They focus on the performance, profitability, and liquidity of the company.

Shareholders

1. A shareholder is an individual or entity that holds shares in a company.
2. Shareholders are the owners of the company, as they own its financial shares.
3. All shareholders are stakeholders.
4. Their primary focus is on the return on their investment in the company.

166. Define the Term "Stakeholders."

Ans : COMP 2017

A stakeholder is anyone who has a financial interest in a commercial organization.

167. What is an expectation of employers?

Ans : MAIN 2024

Respect for intellectual property rights.
Employers are entitled to all intellectual property created within or for their businesses. Protecting ideas fosters innovation and growth.

168. Mention any two expectations of society from a business organization.

Ans : SQP 2023

1. Protect the natural environment by avoiding harmful practices such as releasing effluents, producing smoky emissions, or maintaining dirty working conditions.
2. Build a positive image in society by engaging in developmental activities such as education, medical research, and technological advancements.

169. State any two expectations of competitors or associates from a business enterprise.

Ans : COMP 2022

1. Fair trade practices in terms of pricing, quality, and service.
2. Respect for intellectual property rights.

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170. State any two expectations of suppliers from a business organization.

Ans : COMP 2020

1. Suppliers expect organizations to make purchases from them on reasonable terms.
2. They expect fair pricing for the products or services supplied.

171. State any two expectations of shareholders from a business concern.

Ans : MAIN 2008

1. Shareholders primarily expect profits from their investments in the business.
2. They look for the growth and success of the business.

172. Who are stakeholders?

Ans : SQP 2007

Stakeholders are individuals, groups, or organizations that have an interest or are affected by the activities, decisions, or outcomes of a business.

173. Name two types of stakeholders.

Ans : COMP 2016

1. Internal stakeholders.
2. External stakeholders.

174. Who are internal stakeholders?

Ans : MAIN 2013

Internal stakeholders are directly involved in the operations and management of the organization, such as shareholders, employers, and employees.

175. Who are external stakeholders?

Ans : SQP 2021

External stakeholders are individuals or groups outside the organization, such as suppliers, creditors, government, and society, who are indirectly affected by the organization's actions.

176. What do shareholders expect from a business?

Ans : COMP 2010

Shareholders expect :
1. Profitability.
2. Efficient operations.
3. A positive reputation.

177. Mention two expectations of employers/ shareholders.

Ans : MAIN 2014

1. Consistent profits.
2. Optimal resource utilization.

178. What are the key expectations of suppliers from businesses?

Ans : SQP 2011

Suppliers expect :
1. Fair prices.
2. Long-term partnerships.
3. Transparency.

179. List two expectations of creditors from a business.

Ans : COMP 2019

1. Proper utilization of debt.
2. Regular payment of interest and installments.

180. What do financial institutions require from businesses regarding loans?

Ans : MAIN 2005

Financial institutions require undisputed mortgaged property and disclosure of the factual financial position of the business.

181. Name two expectations wholesalers or retailers have from manufacturers.

Ans : SQP 2008

1. Regular supply of products.
2. Advertisement support for sales.

182. What do wholesalers expect regarding defective goods?

Ans : COMP 2006

Wholesalers expect prompt replacement of defective goods.

183. What is the government's expectation regarding tax compliance?

Ans : MAIN 2018

The government expects timely and accurate payment of taxes and duties.

184. List two legal expectations the government has from businesses.

Ans : SQP 2003

1. Compliance with labor laws.
2. Adherence to environmental regulations.

185. What are the expectations of society regarding employment?

Ans : COMP 2004

Society expects businesses to generate jobs to support the local and national economy.

186. What is meant by ethical practices, and who expects it?

Ans : MAIN 2009

Ethical practices involve maintaining transparency and fair conduct in business operations. Society expects businesses to follow ethical practices.

187. What do employees expect regarding career growth?

Ans : SQP 2001

Employees expect skill development, promotions, and training opportunities for career advancement.

188. What is the difference between shareholders and creditors?

Ans : COMP 2012

Shareholders invest in the company and expect returns in dividends, while creditors lend money and expect timely repayment of interest and principal.

189. What is the expectation of suppliers regarding communication?

Ans : MAIN 2002

Suppliers expect clear communication about orders, payments, and policies.

190. What do creditors expect regarding the organization's operations?

Ans : SQP 2015

Creditors expect businesses to operate ethically

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and legally without indulging in anti-social activities.

191. What do wholesalers expect regarding product packaging?

Ans : COMP 2017

Wholesalers expect convenient and attractive packaging for the products.

192. What is the primary role of labor unions as stakeholders?

Ans : MAIN 2024

Labor unions represent employees' interests, ensuring fair treatment, wages, and working conditions.

193. Mention two responsibilities of businesses toward society.

Ans : SQP 2023

1. Engagement in Corporate Social Responsibility (CSR).
2. Adoption of environmentally sustainable practices.

194. What are creditors' expectations regarding debt utilization?

Ans : COMP 2022

Creditors expect responsible and productive use of borrowed funds by the organization.

195. Name any two external stakeholders of a business.

Ans : MAIN 2020

1. Suppliers.
2. Government.

196. What do employees expect regarding workplace safety?

Ans : SQP 2008

Employees expect a healthy and secure workplace with proper facilities.

197. What does society expect regarding environmental sustainability?

Ans : COMP 2007

Society expects businesses to adopt eco-friendly practices to reduce pollution and conserve resources.

198. How do internal stakeholders benefit directly from a business?

Ans : MAIN 2016

Internal stakeholders benefit directly through employment, ownership, or investments in the organization.

199. What is the primary expectation of creditors regarding interest payments?

Ans : SQP 2013

Creditors expect regular and timely payment of interest.

200. Why is transparency important for suppliers?

Ans : COMP 2021

Transparency ensures suppliers are informed about orders, payments, and policies, promoting trust and smoother transactions.

201. What role does the government play as a stakeholder?

Ans : MAIN 2010

The government regulates businesses, imposes taxes, ensures compliance with laws, and oversees their contribution to economic development.

202. Who are internal stakeholders, and how do they differ from external stakeholders?

Ans : SQP 2014

Internal stakeholders are individuals directly involved in the operations and management of the organization, such as shareholders, employers, and employees. They have direct relationships with the organization. External stakeholders, such as suppliers, creditors, and the government, are indirectly affected by the organization's actions and do not work directly within it.

203. What are the main expectations of employees from an organization?

Ans : COMP 2011

Employees expect :

1. Fair compensation.
2. Job security.
3. Career growth opportunities.
4. A safe and healthy work environment.

204. List any three expectations of suppliers from a business.

Ans : MAIN 2019

1. Purchase on reasonable terms.
2. Long-term partnerships.

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3. Fair pricing for goods and services.

205. What are two key expectations of creditors or financial institutions from a business?

Ans : SQP 2005

1. Regular payment of interest and installments.
2. Disclosure of the factual financial position.

206. What is meant by Corporate Social Responsibility (CSR), and which stakeholder expects it?

Ans : COMP 2008

Corporate Social Responsibility (CSR) refers to a business engaging in activities that benefit the community, such as education, healthcare, and environmental protection. Society expects businesses to fulfill their CSR obligations.

FIVE MARKS QUESTIONS

207. Differentiate Between Shareholders and Creditors.

Ans : MAIN 2024

Aspect	Shareholders	Creditors
Definition	Owners of the company.	Lenders to the company.
Investment	Invest in the company's capital by purchasing shares.	Provide loans to the company.
Returns	Earn profits from the company.	Earn interest on their loans.
Voting Rights	Have voting rights.	Do not have voting rights.
Stakeholder Type	Internal stakeholders.	External stakeholders.
Risk	Face higher risk of capital loss.	Face lower risk of loan loss.
Repayment Priority	Have lower priority for repayment during liquidation.	Have higher priority for repayment during liquidation.

208. Explain Various Types of External Stakeholders.

Ans : SQP 2023

External Stakeholders are individuals or groups outside the organization who influence or are affected by its operations. Examples include :

1. Suppliers : Provide essential inputs like raw materials and equipment to the organization.
2. Customers : Considered the most critical stakeholders as they consume the products or services.
3. Creditors : Provide financial support through loans, including banks and financial institutions.
4. Competitors : Rivals who compete with the organization for market share and resources.
5. Society : The enterprise has responsibilities toward society as it uses societal resources.
6. Government : Guides and regulates the organization through laws, taxes, and duties.

209. State any five expectations of employees from a business organization.

Ans : COMP 2022

Expectations of Employees from a Business Organization :

1. **Security of Job :** Employees expect stability and continuity in their jobs under favorable working conditions.
2. **Fair Remuneration :** Employees anticipate wages or salaries that are proportionate to the work done. Inadequate pay can lead to reduced efficiency, poor product quality, and disloyalty to the organization.
3. **Safe and Comfortable Working Conditions :** The organizational climate and culture should promote employee well-being, ensuring safety and comfort.
4. **Opportunities for Promotion :** Employees dislike being stuck in the same position and hope for career advancement with proper training and skill development provided by the organization.
5. **Quick and Fair Grievance Redressal :** Employees expect their concerns to be addressed promptly and with sincerity to ensure resolution.

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210. State any five expectations of employers from a business enterprise.

Ans : MAIN 2020

Expectations of Employers from a Business Organization :

1. **Timely and consistent returns :** Employers expect fast and regular returns on their investments to ensure profitability.
2. **Accurate business updates :** They seek precise and up-to-date information about the organization's performance.
3. **Involvement in key decisions :** Employers anticipate being equally considered in major policy decisions affecting the business.
4. **Positive work culture :** A good organizational culture is expected to support productivity and collaboration.
5. **Strong reputation :** Employers value favorable public relations and goodwill to enhance the business's image.

211. Explain any five expectations of suppliers from a business organization.

Ans : SQP 2008

Fair pricing for the supplies provided.

1. Regular and timely payments according to agreed credit terms.
2. Consistent and regular orders for supply.
3. Reasonable time for the delivery of goods.
4. Long-term relationships with the organization to ensure sustained business opportunities.
5. Promotion of healthy competition among suppliers without misleading any party for personal advantage.

212. Explain the expectations of the government from a business organization.

Ans : COMP 2007

1. Compliance with Laws and Regulations : Businesses are expected to adhere to all national laws and regulations.
2. Timely Payment of Taxes : Taxes should be paid honestly, regularly, and on time to support the nation's welfare activities.
3. Efficient Resource Utilization : Businesses must make proper use of the nation's scarce resources.
4. Addressing National Problems : Assisting in solving issues such as poverty, unemployment, and unbalanced regional development.
5. Fair Trade Practices : The government expects businesses to engage in fair trade practices, which encourage healthy competition in the economy.
6. Avoidance of Monopolies : Businesses should avoid creating monopolies or concentrating economic power.
7. No Black Marketing : The government expects businesses to avoid hoarding or black marketing essential commodities, which can lead to artificial scarcity and inflation.
8. Support During Calamities : Businesses are expected to assist the government during natural disasters by supporting affected residents and aiding in recovery efforts.
9. No Trade Relations with Enemy States : Businesses should not engage in trade with enemy countries, as such relationships are neither desirable nor acceptable.

213. Explain the expectations of any two types of stakeholders of a company.

Ans : MAIN 2016

1. Competitors or Associates :Fair trade practices regarding price, quality, and service. An atmosphere of healthy competition and ethical behavior.
2. Suppliers : Organizations should make purchases on reasonable terms. Suppliers expect fair pricing for their products or services.

214. Five Expectations of Creditors from a Business Enterprise

Ans : SQP 2013

1. Timely payment of interest on loans.
2. Regular repayment of loan installments.
3. Repayment of loans on due dates.
4. Accurate and up-to-date financial information about the company.
5. A healthy and cooperative relationship with the organization.

215. Write Five Expectations of the General Public or Society from a Business Enterprise.

Ans : COMP 2021

1. Environmental Protection : Safeguard the environment from all types of pollution.
2. Socially Desirable Products : Produce goods that align with national interest and societal welfare.
3. Support Weaker Sections : Assist weaker sections of society through employment and opportunities in various fields.
4. Improve Living Standards : Enhance the quality of life through education, healthcare,

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and other developmental initiatives.
5. Charity and Welfare : Donate funds for charitable purposes and respect human rights, including those of women and children.

216. Differentiate between internal and external stakeholders. Provide examples of each type.

Ans : MAIN 2010

Internal stakeholders :Directly involved in the organization's operations and management.
Examples :
1. Shareholders – Invest in the company and expect returns.
2. Employers – Manage employees and aim for business growth.
3. Employees – Contribute skills and efforts, expecting fair compensation and job security.

External stakeholders : Outside the organization, indirectly affected by its actions.
Examples :
1. Suppliers – Provide goods and services to the organization.
2. Creditors – Offer credit and expect repayment with interest.
3. Government – Oversees and regulates business activities.

217. Discuss the key expectations of employees from an organization.

Ans : SQP 2014

Employees have the following expectations :

1.Fair Compensation – Receive competitive salaries and timely payments.

2.Job Security – Have long-term and stable employment opportunities.

3.Career Growth – Access to training, promotions, and skill development programs.

4.Safe Work Environment – Work in a healthy and secure workplace with proper facilities.

5.Work-Life Balance – Flexible policies that allow for personal and professional balance.

Meeting these expectations fosters employee satisfaction, productivity, and loyalty.

218. Explain the expectations of creditors or financial institutions from businesses.

Ans : COMP 2011

Creditors and financial institutions have the following expectations :
1. Undisputed Mortgaged Property – Ensure collateral offered for loans is clear and legal.
2. Disclosure of Financial Position – Provide accurate and truthful financial data.
3. Proper Utilization of Debt – Use borrowed funds responsibly and for productive purposes.
4. Timely Payments – Make regular interest payments and repay installments on time.
5. Legal and Ethical Operations – Avoid involvement in illegal or unethical activities.

These expectations build trust and ensure continued financial support for the organization.

219. What are the main expectations of wholesalers and retailers from manufacturers?

Ans : MAIN 2019

Wholesalers and retailers expect :
1. Regular Supply – Consistent availability of products to meet customer demands.
2. Advertisement Support – Manufacturers should promote products to boost sales.
3. Replacement of Defective Goods – Prompt action to replace or fix defective items.
4. Attractive Packaging – User-friendly and visually appealing product packaging.
5. Credit Facility – Provide credit options to manage cash flow effectively.
6. Fair Prices – Competitive pricing that allows them to maintain profitability.
7. Minimal Restrictions – Avoid imposing unnecessary conditions in dealings.

Meeting these expectations strengthens long-term partnerships and ensures smoother supply chain operations.

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220. How can businesses fulfill their responsibilities toward society?

Ans : SQP 2005

Businesses can fulfill their responsibilities toward society in the following ways :
1. Corporate Social Responsibility (CSR) – Engage in community-benefiting activities like education, healthcare, and environmental protection.
2. Employment Generation – Create jobs to support the local and national economy.
3. Ethical Practices – Maintain transparency, honesty, and fairness in all operations.
4. Environmental Sustainability – Adopt eco-friendly practices to reduce pollution and conserve resources.

5. Community Engagement – Contribute to infrastructure development and support charitable causes.

By fulfilling these responsibilities, businesses enhance their reputation and contribute positively to societal well-being.

221. Discuss the various types of stakeholders in an organization, with examples.

Ans : COMP 2008

Stakeholders are categorized into two types :

1. Internal Stakeholders :
   Directly involved in operations and decision-making.
   Examples :
   (a) Shareholders – Invest capital and expect returns in dividends.
   (b) Employers – Oversee operations and ensure growth.
   (c) Employees – Work for the organization, expecting fair treatment and compensation.
2. External Stakeholders :
   Indirectly affected by organizational activities.
   Examples :
   (a) Suppliers – Provide goods and services.
   (b) Creditors – Offer credit and expect timely repayments.
   (c) Government – Regulates and ensures compliance with laws.

222. What are the expectations of suppliers from a business, and why are they important?

Ans : MAIN 2006

Suppliers expect :

1. Fair Prices – Reasonable compensation for their goods and services.
2. Long-Term Partnerships – Stability and consistency in business relationships.
3. Transparency – Clear communication about orders, payments, and policies.
4. Professional Relationships – Respectful and collaborative interactions.
5. Timely Payments – Prompt settlements for supplied goods and services.

These expectations are important to ensure a reliable supply chain, foster trust, and maintain consistent production processes.

223. Explain the expectations of the government from businesses.

Ans : SQP 2018

The government expects businesses to :

1. Pay Taxes on Time – Fulfill tax obligations accurately and promptly.
2. Follow Legal Regulations – Adhere to business, labor, and environmental laws.
3. Contribute to the Economy – Generate employment and support economic growth.
4. Maintain Ethical Practices – Operate transparently and avoid illegal activities.
5. Promote Sustainability – Implement eco-friendly practices to conserve resources and reduce pollution.

Meeting these expectations ensures compliance and fosters a positive relationship with regulatory authorities.

224. What are the main expectations of society from businesses?

Ans : COMP 2003

Society expects businesses to :

1. Engage in Corporate Social Responsibility (CSR) : Support initiatives in education, healthcare, and environmental conservation.
2. Generate Employment : Provide jobs to improve the economic well-being of individuals and communities.
3. Adopt Ethical Practices : Maintain honesty, transparency, and fairness in operations.
4. Promote Environmental Sustainability : Use eco-friendly methods to reduce the ecological footprint.
5. Support Local Communities : Contribute to the development of local infrastructure and community welfare programs.

These practices help businesses build goodwill and align with societal expectations.

225. Discuss the key expectations of employees from their employers.

Ans : MAIN 2004

Employees expect :

1. Fair Compensation : Competitive salaries and timely payments.
2. Job Security : Stable employment and opportunities for long-term growth.
3. Career Development : Access to skill enhancement, training and promotions.
4. Safe Work Environment : A secure and healthy workplace with necessary facilities.
5. Work-Life Balance : Flexible policies that promote a balanced personal and professional life.

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Fulfilling these expectations improves employee satisfaction, productivity and loyalty.

226. How do wholesalers and retailers contribute to a business, and what are their expectations?

Ans : SQP 2009

Contribution to a Business :
1. Facilitate the distribution of goods to end customers.
2. Enhance market penetration and customer accessibility.
3. Provide feedback on customer preferences and market trends.

Expectations :
1. Regular and consistent supply of products.
2. Advertising and promotional support from manufacturers.
3. Replacement of defective goods.
4. Attractive and convenient packaging.
5. Fair pricing and credit facilities to manage cash flow.

Meeting these expectations ensures smoother distribution channels and customer satisfaction.

227. What are the roles and expectations of creditors or financial institutions in a business?

Ans : COMP 2001

Roles :
1. Provide financial support through loans and credit.
2. Facilitate business expansion and operational stability.

Expectations :
1. Clear ownership and rights over mortgaged properties.
2. Accurate disclosure of the financial health of the business.
3. Responsible utilization of borrowed funds.
4. Regular payment of interest and loan installments.
5. Adherence to ethical and legal practices.

These ensure trust and a long-term relationship between the business and financial institutions.

228. Explain the differences between internal and external stakeholders, focusing on their relationship with the organization.

Ans : MAIN 2012

Internal Stakeholders :
1. Directly involved in the organization's operations and management.
2. Examples : Shareholders, employers, and employees.
3. Their focus is on the organization's growth, profitability, and stability.

External Stakeholders :
1. Indirectly affected by the organization's actions.
2. Examples : Suppliers, creditors, government, and society.
3. Their focus is on the organization's impact on their interests, such as timely payments, legal compliance, and societal contributions.

The primary difference lies in their level of involvement and proximity to the organization.

229. What are the key expectations of shareholders from a business, and why are they significant?

Ans : SQP 2002

Shareholders expect :
1. Profitability : Regular returns in the form of dividends and an increase in share value.
2. Efficient Operations : Optimal use of resources to maximize profits.
3. Reputation : A positive market image that enhances the value of their investment.
4. Transparency : Regular updates on the financial and operational status of the organization.
5. Growth Opportunities : Long-term sustainability and expansion of the business.

These expectations are significant because they ensure the trust and continued investment of shareholders, which are vital for business growth.

230. Why is Corporate Social Responsibility (CSR) important, and how can businesses contribute through it?

Ans : COMP 2015

Importance of CSR :
1. Enhances the organization's reputation and public image.
2. Contributes to the well-being of society and the environment.
3. Builds trust among stakeholders, including society and government.

How Businesses Contribute :
1. Supporting education, healthcare, and skill development initiatives.
2. Implementing environmentally sustainable practices.
3. Participating in community development projects.

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4. Promoting ethical business practices.
5. Addressing societal challenges like poverty and inequality.

CSR reflects a business's commitment to its stakeholders and the broader community, leading to long-term success and goodwill.

CASE BASED QUESTION

231. Mr. Sharma, an employee in a manufacturing company, was promised a safe work environment by the organization. However, due to negligence in maintaining safety standards, he suffered a workplace injury.

1. What is one key expectation of employees from their employers that was violated in this case?
2. Identify the stakeholder and their role in the organization.

Ans :

1. Key Expectation Violated : The key expectation of employees that was violated is "Safe Work Environment". Employees expect a healthy and secure workplace with proper safety measures to prevent injuries.
2. Stakeholder and Their Role : The stakeholder in this case is the employee, who contributes skills and efforts to the organization and expects fair treatment, job security, and safety at the workplace.

232. A supplier consistently provides high-quality materials to a manufacturing company but faces delays in payments despite clear terms of agreement.

1. Which key expectation of the supplier is being violated?
2. Identify the stakeholder in this case and their significance to the business.

Ans :

1. Timely payments. Suppliers expect prompt settlements for the goods and services they provide.
2. The stakeholder in this case is the supplier. Suppliers are significant because they ensure the availability of materials and services necessary for the smooth functioning of the business.

233. A business uses hazardous materials in its production process but fails to follow environmental regulations, resulting in pollution that affects nearby communities.

1. Which stakeholder is impacted in this scenario?
2. Mention one expectation of this stakeholder that the business has failed to meet.

Ans :

1. The stakeholder impacted is society.
2. The business has failed to meet the expectation of environmental sustainability. Society expects businesses to adopt eco-friendly practices and reduce their environmental impact.

234. Mr. Arjun, a creditor, provided a loan to a company, but the company failed to utilize the borrowed funds responsibly and missed the interest payments.

1. Which expectations of creditors are violated in this case?
2. Identify the principle of stakeholder management relevant to this situation.

Ans :

1. Proper utilization of debt.
   Regular payment of interest and installments.
2. The principle of transparency and accountability applies, as creditors expect businesses to use loans responsibly and provide accurate information regarding their financial position.

235. An organization pays fair compensation to its employees but fails to provide career growth opportunities such as training and skill development.

1. Which expectation of employees is being overlooked in this situation?
2. Explain how fulfilling this expectation can benefit the organization.

Ans :

1. Career Growth. Employees expect access to training programs, promotions, and opportunities to enhance their skills.
2. Providing career growth opportunities improves employee morale, increases productivity, enhances skill levels, and reduces turnover, contributing to the organization's long-term success.

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236. A company is regularly replacing defective goods sold to its wholesalers but does not provide sufficient promotional support for their products.
1. Which key expectation of wholesalers is unmet here?
2. Why is this expectation critical for wholesalers?

Ans :

1. Advertisement Support. Wholesalers expect manufacturers to promote products to boost sales.
2. Advertisement support helps wholesalers increase sales by improving product visibility and demand among end customers, ensuring better business outcomes for both parties.

237. A multinational company promised to focus on environmental sustainability as part of its Corporate Social Responsibility (CSR). However, it was discovered that the company was dumping industrial waste into a nearby river, causing severe water pollution and affecting the health and livelihood of the local community.
1. Which key expectation of society is being violated in this case?
2. What is the role of society as a stakeholder, and why is it important for businesses to fulfill their expectations?

Ans :

1. Key Expectation Violated : The key expectation of society being violated is environmental sustainability. Society expects businesses to adopt eco-friendly practices and avoid harming natural resources.
2. Role of Society and Importance : Society, as a stakeholder, provides the resources (such as labor and the environment) that businesses depend on. Fulfilling their expectations, like maintaining ethical practices and contributing positively to the community, helps build trust, ensure social goodwill, and avoid legal or reputational consequences.

238. An employee in a large retail company was promised regular training and skill development programs to help him grow in his career. However, the company failed to conduct any such programs over the last two years, leaving the employee frustrated and demotivated.
1. Which key expectation of employees is being violated in this case?
2. How can fulfilling this expectation benefit both the employee and the organization?

Ans :

1. Key Expectation Violated : Career Growth. Employees expect opportunities for skill development, promotions, and training programs.
2. Benefit : Career growth improves employee morale, productivity, and loyalty, while the organization benefits from a skilled and motivated workforce.

239. A supplier agreed to deliver raw materials to a manufacturing company under specific payment terms. However, the company consistently delayed payments, despite receiving timely deliveries from the supplier.
1. Which expectation of the supplier is being violated in this scenario?
2. Why is it important for businesses to meet this expectation?

Ans :

1. Key Expectation Violated : Timely payments for goods and services provided.
2. Importance : Meeting this expectation ensures trust, smoother operations, and long-term partnerships with suppliers.

240. A business failed to disclose its actual financial position to a financial institution while applying for a loan. The funds were later misused, and the company defaulted on the interest payment.
1. Which key expectations of creditors/financial institutions are being violated in this case?
2. What can be the consequences of not meeting these expectations?

Ans :

1. Key Expectations Violated :
   Disclosure of factual financial position.
   Proper utilization of debt.
   Regular payment of interest and installments.
2. Consequences : Loss of trust, potential legal actions, difficulty obtaining future loans, and damage to the organization's reputation.

241. A large wholesaler regularly purchases products from a manufacturer but complains about insufficient advertising for the products. As a result, the products fail to attract customer attention, leading to low sales.
1. Which key expectation of the wholesaler is being violated?
2. Why is this expectation critical for maintaining a strong business relationship?

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Ans :

1. Key Expectation Violated : Advertisement support. Wholesalers expect manufacturers to promote their products effectively to boost sales.
2. Importance : Advertising increases product visibility, attracts customers, and helps wholesalers generate higher sales, benefiting both parties.

242. A manufacturing company was found violating environmental laws by releasing untreated industrial waste into a water body. This action caused harm to the local community and triggered protests.

1. Which stakeholder is primarily affected in this scenario, and what expectation has been violated?
2. How can businesses ensure they meet this expectation in the future?

Ans :

1. Stakeholder Affected : Society. Expectation Violated : Environmental sustainability and ethical practices.
2. Future Measures : Adopting eco-friendly production methods, complying with environmental laws, and engaging in Corporate Social Responsibility (CSR) initiatives to restore community trust.

243. A company's annual general meeting revealed that its profits had dropped significantly due to inefficient resource utilization and mismanagement. Shareholders expressed dissatisfaction as no dividends were declared, and the company's share value decreased in the stock market.

1. Which key expectations of shareholders are being violated in this case?
2. Why is it important for businesses to meet shareholder expectations?

Ans :

1. Key Expectations Violated :
   (i) Profitability.
   (ii) Efficient operations.
   (iii) Positive reputation and share value.
2. Importance : Shareholders are critical investors in the company. Fulfilling their expectations ensures continuous financial support, better market reputation, and long-term stability.

244. An organization regularly pays its employees on time but does not provide a safe and healthy workplace. Poor safety measures resulted in multiple workplace injuries, causing unrest among employees and raising questions about the employer's commitment to employee welfare.

1. What key expectation of employees is being violated in this scenario?
2. How can the organization address this issue effectively?

Ans :

1. Key Expectation Violated : A safe work environment. Employees expect their workplace to prioritize their safety and provide proper facilities to avoid risks.
2. Resolution : The organization should implement strict safety protocols, provide protective equipment, and conduct regular safety training to ensure employee well-being.

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245. A manufacturing company frequently renegotiates terms with its suppliers to lower costs. Although the suppliers accept the new terms, they feel dissatisfied due to constant price pressure and lack of communication about future orders.

1. Which expectations of suppliers are being overlooked in this case?
2. Why is it essential to maintain strong relationships with suppliers?

Ans :

1. Key Expectations Overlooked :
   (i) Fair pricing.
   (ii) Transparency about future orders.
   (iii) Professional and respectful communication.
2. Importance : Strong supplier relationships ensure timely delivery of quality materials, maintaining smooth operations and supply chain efficiency.

246. A company failed to comply with labor laws by not providing minimum wages and proper working hours to its employees. The government fined the company for violating labor regulations and failing to meet legal requirements.

1. Which key expectations of the government were violated by the company?
2. What are the potential consequences of such violations for a business?

Ans :

1. Key Expectations Violated :
   Compliance with labor laws.

Ethical practices and legal adherence.
2. Consequences :
Legal penalties and fines.
Loss of reputation and public trust.
Suspension of business operations in severe cases.

247. A large corporation launched a new production unit in a rural area, creating employment opportunities. However, the unit released untreated chemical waste into nearby rivers, harming the environment and affecting the health of local residents.
1. What expectation of society is being violated in this case?
2. How can the company balance its business goals and societal expectations?

Ans :

1. Key Expectation Violated :
(i) Environmental sustainability.
(ii) Ethical business practices.
2. Resolution :
The company should invest in eco-friendly technologies, ensure waste treatment before disposal, and engage in community welfare programs to address the harm caused.

248. A retailer frequently sells products from a manufacturer but faces issues with inconsistent supply and unattractive packaging that fails to attract customers. This negatively impacts the retailer's sales and customer satisfaction.
1. Which expectations of retailers are unmet in this scenario?
2. How can manufacturers ensure a strong and productive relationship with their retailers?

Ans :

1. Unmet Expectations :
Regular supply of products.
Convenient and attractive packaging.
2. Resolution :
Manufacturers should ensure a consistent supply chain, improve product packaging, and maintain clear communication with retailers to meet customer demands effectively.

249. A company borrowed a large loan from a financial institution but failed to provide accurate details of its financial position. The funds were misused for purposes other than what was agreed upon, and the company defaulted on its interest payments.
1. Which expectations of creditors/financial institutions are being violated?
2. How can such violations impact the company's ability to secure future loans?

Ans :

1. Key Expectations Violated :
Proper utilization of debt.
Disclosure of truthful financial information.
Regular repayment of interest and installments.
2. Impact :
Loss of trust from creditors.
Difficulty securing future financial assistance.
Potential legal action and damage to the company's reputation.

250. A business operating in the food processing industry released harmful gases into the atmosphere, exceeding permissible limits. This action caused protests by environmental groups and negative media coverage, damaging the company's reputation.
1. Which stakeholder expectations are violated, and what are they?
2. How can the business address these issues to restore its reputation?

Ans :

1. Stakeholder Expectations Violated :
Society's expectation for environmental sustainability.
Government's expectation for compliance with environmental regulations.
2. Resolution :
Invest in eco-friendly production processes.
Adhere to environmental laws and standards.
Publicly commit to Corporate Social Responsibility (CSR) initiatives to rebuild trust.

251. A company provides competitive salaries to its employees but has consistently failed to deliver on promised training programs and skill development opportunities. This has left many employees feeling undervalued and unable to grow in their roles.
1. Which key expectation of employees is being violated?
2. How can the company address this issue to improve employee satisfaction?

Ans :

1. Key Expectation Violated : Career Growth.
Employees expect opportunities for training, promotions, and skill enhancement.

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2. Resolution : The company should implement regular training programs, set clear career paths, and provide mentorship opportunities to ensure employee development and retention.

252. A supplier delivered raw materials to a company under agreed payment terms. However, the company repeatedly delayed payments and renegotiated prices, which caused financial strain on the supplier.
1. Which expectations of the supplier are being violated in this case?
2. Why is maintaining a good relationship with suppliers important for businesses?

Ans :

1. Key Expectations Violated :
   Timely payments.
   Fair pricing for goods and services.
2. Importance : Maintaining good relationships with suppliers ensures consistent supply, quality materials, and trust, which are crucial for smooth business operations.

253. A wholesaler noticed a drop in sales for a manufacturer's products due to poor advertising and lack of promotional support. Additionally, defective goods were not replaced promptly, causing frustration for the wholesaler.
1. What key expectations of wholesalers are being violated?
2. How can the manufacturer ensure a stronger relationship with its wholesalers?

Ans :

1. Key Expectations Violated :
   Advertisement support to boost product sales.
   Replacement of defective goods.
2. Resolution : The manufacturer should provide consistent advertising support, launch promotional campaigns, and establish a quick response system for addressing defective products to build trust with wholesalers.

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254. A company operating in the chemical industry promised to engage in community development as part of its Corporate Social Responsibility (CSR). However, it was discovered that the company failed to address water contamination caused by its operations, impacting the health of nearby residents.
1. Which expectation of society is being violated in this scenario?
2. How can the company regain the trust of the local community?

Ans :

1. Key Expectation Violated : Environmental sustainability and commitment to CSR initiatives. Society expects businesses to protect natural resources and contribute to community well-being.
2. Resolution : The company should invest in pollution control measures, actively engage in community welfare programs, and communicate transparently about its efforts to resolve environmental issues.

255. A business obtained a loan from a financial institution for expanding its operations but diverted the funds to other activities without informing the creditor. Additionally, it missed several interest payments, causing concern for the creditor.
1. Which key expectations of creditors are being violated in this case?
2. What are the potential consequences of such actions for the business?

Ans :

1. Key Expectations Violated :
   Proper utilization of debt for agreed purposes.
   Regular and timely payment of interest and installments.
2. Consequences : The business risks losing the trust of financial institutions, facing legal actions, and damaging its reputation, making it difficult to secure loans in the future.

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CHAPTER 2

MARKETING AND SALES

SUMMARY

1. MARKET

A market is a setup where two or more parties engage in the exchange of goods, services, and information. Ideally, a market is a place where buying and selling activities occur between parties.

2. MARKETING

Marketing is the process of identifying a group of potential customers and finding ways to convince them to buy the company's product. It involves activities associated with buying and selling a product or service, including advertising, selling, and delivering products.

Definitions by Experts

1. Philip Kotler : "Marketing is a social process by which individual groups obtain what they need and want through creating offers and freely exchanging products and services of value with others."
2. American Marketing Association (AMA) : "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."

3. FEATURES OF MARKETING

The features of marketing are as follows :

1. Identification of needs and wants.
2. Creation of market offering.
3. Customer value.
4. Exchange mechanism.
5. Formulation of marketing policies.

4. OBJECTIVES OF MARKETING

Objective of the marketing are as follows :

1. Creation of demand
2. Focus on consumer satisfaction
3. Enhance market share
4. Increase profitability and facilitate growth
5. Build goodwill
6. Enhance standard of living

5. DIFFERENCE BETWEEN MARKETING AND SALES

Marketing is a much wider term than sales. Marketing involves the design of products acceptable to customers and the transfer of ownership from the seller to the buyer. On the other hand, selling involves procuring orders from customers and delivering the products to them.

6. PRODUCT

A product is anything offered to a market to satisfy a want or need, including goods and services.

Definition :

William Stanton : "A product is a complex of tangible and intangible attributes, including packaging, color, price, prestige, and services that satisfy the needs and wants of people."

6.1 Characteristics of a Product

1. Physical Configuration
2. Packaging and Branding
3. Media of Communication
4. Associated Services
5. Life Cycle
6. Product Symbolism

7. SERVICE

A service is any act or performance that one party can offer to another. It is intangible and does not result in ownership of anything.

Definition :

American Marketing Association : "Activities, benefits, and satisfactions offered for sale or provided in connection with the sale of goods."

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7.1 Characteristics of Services

1. Services are tangible.
2. Services are perishable.
3. Services are inseparable.
4. Services are variable.
5. Services require special pricing tactics.

8. PRICING

Pricing is the process of deciding the price customers will pay for a product or service. It is a customer-oriented, integrated, and goal-oriented philosophy. Price is the amount of money customers pay to obtain the product.

8.1 Objectives of Pricing

1. Get the desired rate of return.
2. Increase market share.
3. Maximize profit.
4. Ensure price stability.
5. Meet or prevent competition.

9. ADVERTISING

Advertising is a paid form of mass communication aimed at informing and influencing potential customers..

Definitions :

1. Philip Kotler : "Advertising is any paid form of non-personal presentation and promotion of goods, services, or ideas by an identified sponsor."
2. Frank Presbrey : "Advertising is a printed, written, oral, and illustrated art of selling. Its objective is to encourage sales of the advertiser's products."

10. OBJECTIVES OF ADVERTISING

Objectives of advertising are as follows :

1. To introduce new products
2. To induce potential customers
3. To remind existing users
4 To create brand image
5. To highlight brand character
6. To educate customers about new uses of a product
7. To support dealers

To increase retail sales

10.1 Publicity

Publicity can be defined as any form of commercially significant news about a product, an institution, a service, or a person, published in space or radio time, that is not paid for by the sponsor.

11. ADVERTISING AGENCY

It is a specialized organization that provides all advertising-related services for some fee/ commission.

11.1 Functions of Advertising Agency

1. Planning of advertising campaigns
2. Creation and execution of advertisements
3. Coordination of advertising activities
4. Maintaining proper accounts with the client
5. Media planning and media selection
6. Research in the field of advertising
7. Internal control

12. SOCIAL ADVERTISING MEDIA

These include internet-based platforms used by the public to express opinions, share information, and communicate..

13. SALES PROMOTION

Sales promotion refers to short-term incentives aimed at encouraging immediate purchases. These include cash discounts, contests, free gift offers, and sample distribution.

Definitions :

1. A.H.R. Delens : "Sales promotion refers to any steps taken to increase sales, often to supplement personal selling and advertising."
2. Roger A. Strong : "Sales promotion includes all forms of sponsored communication apart from personal selling."

14. CONSUMER

A consumer is a person who has indicated their willingness to obtain goods or services from a supplier with an intention of paying for them. A consumer is a person who buys or uses either goods or services to satisfy their needs.

15. CONSUMER PROTECTION

It refers to the act of providing adequate protection to the consumers against unscrupulous, exploitative, and unfair trade practices of producers and traders.

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16. CONSUMER EXPLOITATION

It means harming the interests of consumers in various ways.

16.1 Types of Consumer Exploitation

1. Overcharging
2. Under-weighing
3. Adulteration
4. Misleading Advertising
5. Incomplete Information

17. CONSUMER PROTECTION ACT 2019

The Consumer Protection Act, 2019, is a law to protect the interests of consumers. This act was inevitable to resolve a large number of pending consumer complaints in consumer courts across the country. It has ways and means to solve the consumer grievances speedily.

18. KEY FEATURES OF THE CONSUMER PROTECTION ACT, 2019

1. Establishment of the Central Consumer Protection Authority (CCPA) : The act has the provision for establishing the CCPA, which will protect, promote, and enforce the rights of consumers. The CCPA will regulate cases related to unfair trade practices, misleading advertisements, and violations of consumer rights.
2. Rights of Consumers : The act provides six rights to the consumers :
   (i) Right to be Protected : Against goods and services hazardous to life and property.
   (ii) Right to be Informed : Of true, accurate, and adequate information about a product.
   (iii) Right to Choose : From a variety of products at competitive rates.
   (iv) Right to be Heard : By filing complaints if dissatisfied.
   (v) Right to Seek Redressal : To get relief or compensation against exploitation.
   (vi) Right to Consumer Awareness : To become a well-informed consumer.
3. Prohibition and Penalty for a Misleading Advertisement : The Central Consumer Protection Authority (CCPA) will have the power to impose fines on the endorser or manufacturer up to 2 years of imprisonment for misleading or false advertisements (e.g., "Like Laxmi Dhan Varsha Yantra") and a fine of ₹50 lakh. The imprisonment may extend up to 5 years in case of repeated offenses.
4. Consumer Disputes Redressal Commission : The act provides for the establishment of Consumer Disputes Redressal Commissions (CDRCs) at the national, state, and district levels. The CDRCs will entertain complaints related to :
   (i) Overcharging or deceptive charging.
   (ii) Unfair or restrictive trade practices.
   (iii) Sale of hazardous goods and services that may be hazardous to life.
   (iv) Sale of defective goods or services.

19. CONSUMER RESPONSIBILITIES

1. Be aware of the variety of goods and services available.
2. Ensure quality certification marks.
3. Use products safely.
4. Read labels carefully.
5. Obtain a cash memo.
6. File a complaint when required.
7. Form a consumer organization.
8. Save the environment.
9. Get a fair deal.

20. CONSUMER AWARENESS

Consumer awareness means having the knowledge about various consumer protection laws, redressal machinery, consumer rights, as well as the responsibilities of a consumer.

21. IMPORTANCE OF CONSUMER AWARENESS

1. Achievement of maximum satisfaction.
2. Protection against exploitation.
3. Control over the consumption of harmful goods.
4. Formation of a healthy society.
5. Imparting market information.
6. Control over malpractices.

22. E-COMMERCE

Commercial transactions in which an order is placed electronically and goods or services are delivered in tangible or electronic form.

22.1 Benefits of E-commerce Over Traditional Commerce

(i) Convenience
(ii) Ease of formation
(iii) Lower investment requirements
(iv) Speed
(v) Global reach
(vi) Movement towards a paperless society

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23. E-TAILING

Selling goods in retail on the Internet. Amazon.com, Flipkart.com, Snapdeal.com, etc., are e-tailing firms.

24. E-ADVERTISING

Sending advertising messages to consumers over the Internet. It provides a hyperlink that redirects to the company's website.

25. E-MARKETING

The process of marketing a product/service on the internet, via e-mail and wireless media.

26. E-SECURITY

It means network security, browser security, and computer security, and involves setting up measures and rules against security attacks over the internet.

27. ENTERPRISE RESOURCE PLANNING (ERP)

It means a cross-functional computer software or system used to manage all the resources and provides support to all the processes of an organization.

28. ERP MODULES

1. Purchase
2. Sales & Marketing
3. Inventory
4. Human Resource
5. Finance & Accounting
6. Customer Relationship Management
7. Supply Chain Management
8. Production/Engineering

MULTIPLE CHOICE QUESTION

1. Means exchanging goods for money and is production oriented.
(a) Sales
(b) Marketing
(c) Pricing
(d) Advertising

Ans : MAIN 2022, 2021

(a) Sales
Sales refer to exchanging goods for money, and it is production-oriented. It also assumes people will buy more goods and services if aggressive marketing techniques are used.

2. _____ begins before production and continues even after sale.
(a) Marketing
(b) Selling
(c) Consumption
(d) Distribution

Ans : MAIN 2022, 2021

(a) Marketing
Marketing starts before a product is produced and continues after sales. It is useful before production as it gets the product and brand into the minds of the public.

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3. Creation of demand, Improving the standard of living, Customer satisfaction are objectives of _____.
(a) Selling
(b) Pricing
(c) Marketing
(d) Publicity

Ans : MAIN 2022, 2021

(c) Marketing
The first objective of marketing is to create demand by identifying consumer needs, tastes, preferences, etc. Marketing also helps in improving the standard of living by providing new.

4. _____ is a setup where two or more parties engage in exchange of goods, services, and information.
(a) Advertising
(b) Marketing
(c) Market
(d) Sales promotion

Ans : MAIN 2024

(c) market
A market is a place, no matter whether it is physical or virtual, where buyers and sellers meet and exchange goods, services, and information. Advertising is a process of spreading information about a product or service. Marketing is the process of identifying a group of potential customers and finding ways to convince them to buy the company's product. Sales promotion involves assisting or persuading prospective customers to buy a commodity or service.

5. Which amongst these is true about marketing?
(a) Marketing has short-term goals
(b) Marketing focuses on short-term goals
(c) Marketing has consumer-oriented activities
(d) Marketing focuses on seller's needs

Ans : SQP 2023

(c) Marketing has consumer-oriented activities
Marketing is the process of identifying and satisfying the wants of consumers. It is more consumer-oriented rather than production-oriented. It has long-term goals, whereas the rest of the options are related to sales.

6. Building goodwill is an objective of _____.
(a) Marketing
(b) Sales
(c) Finance
(d) None of the above

Ans : COMP 2022

(a) marketing
Marketing helps in building goodwill. Sales mainly focuses on increasing sales volumes and profits, whereas finance focuses more on the financial matters of the business.

7. Which of these is a feature of Marketing?
(a) Identification of needs and wants
(b) Creation of market offering
(c) Customer value
(d) All of the above

Ans : MAIN 2020

(d) All of the above
Identification of needs and wants, creation of market offering, and customer value are the features of marketing.

8. _____ is an old and traditional concept whereas _____ is a new and modern concept.
(a) Marketing, sales
(b) Sales, marketing
(c) Promotion, profit
(d) Marketing, finance

Ans : SQP 2008

(b) sales , marketing
Sales is an old and traditional concept, whereas marketing is a new and modern concept.

9. Purchasing after examining a specimen of goods on the assumption that the sample represents the entire lot, it is called :
(a) Purchase through inspection
(b) Purchase by sample
(c) Purchase by contract
(d) None of the above

Ans : COMP 2007

(b) Purchase by sample
Examining a specimen of goods on the assumption that the sample represents the entire lot is called purchase by sample. Purchase by inspection occurs when the goods are personally examined by the purchaser. Purchase by contract is an agreement between the buyer and seller to buy goods in specific quantities.

10. By providing a wide variety of products, supplying new and better-quality products, creating more employment opportunities, Marketing improves _____ of the people.
(a) Standard of living
(b) Profitability
(c) Market share
(d) Goodwill

Ans : MAIN 2016

(a) Standard of living
Marketing improves the standard of living of people by providing a wide variety of products, supplying new and better-quality products, and creating more employment opportunities. Profitability, market share, and goodwill are focused on the business organization.

11. Marketing is essential for the success of a business organization because :
(a) It builds a brand
(b) It boosts the sales
(c) It generates more income and revenue
(d) All of the above

Ans : SQP 2013

(d) All of the above
Marketing is essential for the success of a business organization because it builds a brand, boosts sales, and generates more income and revenue.

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12. _____ Means exchanging goods for money and is production-oriented.
(a) Sales
(b) Marketing
(c) Pricing
(d) Advertising

Ans : COMP 2021

(a) Sales
Sales refer to exchanging goods for money and it is production-oriented. It also assumes people will buy more goods and services if aggressive marketing techniques are used.

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13. _____ is a meaningful mark for measuring market success or position of the firm in relation to those of the competitors.
(a) Target Rate of Return
(b) Profit Maximization
(c) Market Share
(d) Price Stability

Ans : MAIN 2010

(c) Market share
Market share shows the size of the company in relation to its market and competitors.

14. _____ begins before production and continues even after sale.
(a) Marketing
(b) Selling
(c) Consumption
(d) Distribution

Ans : SQP 2014

(a) Marketing
Marketing starts before a product is produced and continues after sales. It is useful before production as it gets the product and brand into the minds of the public.

15. Creation of demand, Improving the standard of living, Customer satisfaction are objectives of _____.
(a) Selling
(b) Pricing
(c) Marketing
(d) Publicity

Ans : COMP 2011

(c) Marketing
The first objective of marketing is to create demand by identifying consumer needs, tastes, and preferences. Marketing also helps in improving the standard of living by providing new and better goods to people. Consumer satisfaction increases the chance of repeat sales.

16. Which of the following has these three features : tangible, durable, and transferable?
(a) Trade
(b) Service
(c) Selling
(d) Product

Ans : MAIN 2022, 2021

(d) Product
Tangible products are those products that can be perceived by touch. This means they can be touched, seen, and their physical presence felt, like a cycle, book, pencil, table, etc.

17. _____ is a meaningful mark for measuring market success or position of the firm in relation to those of the competitors.
(a) Target Rate of Return
(b) Profit Maximization
(c) Market Share
(d) Price Stability

Ans : SQP 2022, 2021

(c) Market Share
Market share shows the size of the company in relation to its market and competitors.

18. Insurance, banking, beauty parlour etc. are examples of _____.
(a) Services
(b) Products
(c) Pricing
(d) Technology

Ans : COMP 2019

(a) Services
Insurance, banking, and beauty parlour are examples of business services. Business services are used by enterprises to conduct their activities smoothly. Services are intangible activities that provide satisfaction of wants and are not necessarily linked to the sale of a product or another service.

19. Which of these is NOT a characteristic of services?
(a) Services are tangible.
(b) Services are perishable.
(c) Services are inseparable.
(d) Services are variable.

Ans : MAIN 2005

(a) Services are tangible.

20. Which of these is NOT an objective of pricing?
(a) Getting desired rate of return
(b) Develop better packaging and branding
(c) Ensure price stability
(d) Increase market share

Ans : MAIN 2024

(b) Develop better packaging and branding
Developing better packaging and branding is a characteristic of a product, not of pricing. Objectives of pricing include getting a desired rate of return, ensuring price stability, and increasing market share.

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21. Which one of these is NOT a characteristic of a product?
(a) Physical Configuration
(b) Associated Services
(c) Packaging and Branding
(d) Products are intangible

Ans : SQP 2006

(d) Products are intangible

22. _____ are the activities, benefits, and satisfactions which are offered for sale or are provided in connection with the sale of goods.
(a) Product
(b) Services
(c) Pricing
(d) None of the above

Ans : COMP 2018

(b) Services
Services are the activities, benefits, and satisfactions offered for sale or provided in connection with the sale of goods. A product is anything that can be offered to a market for attaining, acquisition, use, or consumption that might satisfy a want or need. Pricing is the process of deciding the price customers will pay for a product or service.

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23. Which of these are the objectives of pricing?
(a) Get desired rate of return
(b) Ensure price stability
(c) Increase market share
(d) All of the above

Ans : MAIN 2003

(d) All of the above
Getting a desired rate of return, ensuring price stability, and increasing market share are the objectives of pricing.

24. _____ is the percentage of total sales in an industry generated by a particular company.
(a) Marketing
(b) Market share
(c) Market
(d) Price stability

Ans : SQP 2004

(b) Market share
Market share is the percentage of total sales in an industry generated by a particular company.

25. Meeting or preventing competition is an objective of _____.
(a) Branding
(b) Packaging
(c) Pricing
(d) None of the above

Ans : COMP 2009

(c) Pricing
Pricing has an objective to meet or prevent competition. Branding and packaging are characteristics of a product.

26. A _____ can be stored whereas a _____ cannot be stored.
(a) Product, service
(b) Service, product
(c) Pricing, packaging
(d) Branding, product

Ans : MAIN 2001

(a) Product, service
A product has a physical existence, so it can be stored, while a service does not have a physical existence, and hence, it cannot be stored.

27. Any paid form of non-personal presentation or promotion of ideas, goods, or services by an identified sponsor is termed as :
(a) Advertising
(b) Publicity
(c) Sales Promotion
(d) Personal Selling

Ans : MAIN 2022, 2021

(a) Advertising
Advertising is any paid form of non-personal presentation and promotion of ideas, goods, or services by an identified sponsor.

28. _____ is non-repetitive one-time communication that helps to increase immediate sales.
(a) Advertising
(b) Publicity
(c) E-tailing
(d) Sales Promotion

Ans : SQP 2022., 2021

(d) Sales Promotion
Sales promotion deals with non-recurring and non-routine methods, contrasting personal selling or advertising. These activities include distributing samples, discount coupons, contests, and displays at fairs and exhibitions.

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29. Which of the following is a technique used for Sales Promotion?
(a) Marketing
(b) Publicity
(c) Exchange Offers
(d) Personal Selling

Ans : COMP 2022, 2021

(c) Exchange Offers

30. _____ is a demerit of advertising.
(a) Incentive to progress
(b) Introduction of a new product
(c) Misleading the consumer
(d) Generation of employment

Ans : MAIN 2022, 2021

(c) Misleading the consumer
Misleading the consumer is one of the demerits of advertising. Advertisers usually misrepresent unreal or false benefits of a product and make false claims to entice people to indulge in actions leading to their benefit, but opposed to the consumer's self-interest.

31. An institution which is an expert at designing advertisements and releasing them through appropriate media is known as _____.
(a) Bank
(b) Stock Exchange
(c) Advertising Agency
(d) Insurance Company

Ans : SQP 2022, 2021

(c) Advertising Agency
An advertising agency is a business dedicated to creating, planning, and handling advertising for its clients. It also handles overall marketing and branding strategies and promotions for its clients.

32. _____ refers to advertising about socially relevant issues like Swachh Bharat Abhiyan, Do Gaj Doori Mask Hai Zaroori, Blood Donation, etc.
(a) Selling
(b) Sales Promotion
(c) Marketing
(d) Social Advertising

Ans : COMP 2022, 2021

(d) Social Advertising
Social advertising refers to advertising about socially relevant issues by leveraging social relationships to promote a product/service.

33. _____ is any paid form of non-personal presentation and promotion of goods, services, or ideas by an identified sponsor.
(a) Advertising
(b) Pricing
(c) Packaging
(d) Branding

Ans : COMP 2012

(a) Advertising
Advertising is any paid form of non-personal presentation and promotion of goods, services, or ideas by an identified sponsor.

34. _____ is the function of an advertising agency.
(a) Research in the field of advertising
(b) Encourage sales of inferior products
(c) Confuse the buyers
(d) Undermine social values

Ans : MAIN 2002

(a) Research in the field of advertising
Advertising agencies conduct extensive research to understand consumer needs. Based on this, they promote products effectively. Encouraging sales of inferior products, confusing buyers, and undermining social values are considered demerits of advertising.

35. In _____, the sponsor is generally not identified.
(a) Advertising
(b) Promotion
(c) Publicity
(d) Pricing

Ans : SQP 2015

(c) Publicity
Publicity may or may not have a commercial value and may not be directly paid for by the sponsor. Hence, the credit may not go directly to them. In advertising and promotion, the sponsor is generally identified. There is no scope for sponsoring in the process of pricing.

36. "Beti Bachao, Beti Padhao," Blood Donation, Swachh Bharat Mission, etc., are examples of :
(a) Social advertising
(b) Commercial advertising
(c) Publicity
(d) Promotion

Ans : MAIN 2024

(a) Social advertising
"Beti Bachao, Beti Padhao," Blood Donation, and Swachh Bharat Mission are examples of social

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advertising. Commercial advertising deals with private products and services. Publicity is defined as any form of commercially significant news about a product. Promotion uses communication tools to inform and persuade potential customers to purchase a product.

37. _____ is more versatile as compared to :
(a) Advertising, publicity
(b) Publicity, advertising
(c) Advertising, sales
(d) Sales, advertising

Ans : COMP 2023

(b) Publicity, advertising

38. Advertising creates economies of scale for :
(a) Manufacturers
(b) Customers
(c) Bankers
(d) Government

Ans : SQP 2022

(a) Manufacturers
Advertising creates economies of scale for manufacturers. It reduces dependence on middlemen as dealers are more willing to stock and sell well-advertised goods.

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39. Which of these is true about advertising?
(a) Advertising only benefits the manufacturers and distributors
(b) Advertising is also called non-personal salesmanship
(c) Advertising is a one-time process
(d) Advertising is never in a paid form

Ans : MAIN 2020

(b) Advertising is also called non-personal salesmanship
Advertising is also called non-personal salesmanship. It benefits most stakeholders, including manufacturers, distributors, customers, and employees. Advertising is typically in a paid form and is a continuous process.

40. _____ refers to short-term incentives which are designed to encourage the buyers to make an immediate purchase of a product or service.
(a) Sales promotion
(b) Advertising
(c) Publicity
(d) None of the above

Ans : SQP 2008

(a) Sales promotion
Sales promotion is a marketing strategy in which businesses use a temporary campaign or offer to increase interest or demand for their product or service. It includes short-term incentives to encourage buyers for immediate purchases.

41. Sales promotion includes _____.
(a) Advertising
(b) Personal Selling
(c) Publicity
(d) None of the above

Ans : COMP 2007

(d) None of the above
Sales promotion is different from advertising, personal selling, and publicity.

42. _____ is a certificate that entitles its holder to a specified saving, discount, or gift on purchase of a particular product.
(a) Coupon
(b) Premium
(c) Free Sample
(d) Contest

Ans : MAIN 2016

(a) Coupon
A coupon gives the holder a right to a specified amount of saving, discount, or gift on the purchase of a product. A premium offers an article free of cost or at a nominal price. A free sample is a specimen of a product for free trial, and a contest is a competitive event involving skill or luck.

43. Which of these is NOT a sales promotion technique?
(a) Discount
(b) Rebate
(c) Quantity Gift
(d) Advertising

Ans : SQP 2013

(d) Advertising
Advertising is a separate process from sales promotion. Discount, rebate, and quantity gift are examples of sales promotion techniques.

44. Offering products at special prices to clear off excess inventory is called _____.
(a) Rebate
(b) Product Combination
(c) Quantity Gift
(d) Refund

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Ans : COMP 2021

(a) Rebate
A rebate refers to offering products at special prices to clear excess inventory. Refunding involves part of the price paid by customers based on proof of purchase.

45. "Scratch a Card" and "Burst a Cracker" are examples of _____.
(a) Instant Draws and Assigned Gifts
(b) Sampling
(c) Refunds
(d) Discounts

Ans : MAIN 2010

(a) Instant Draws and Assigned Gifts
Under the instant draw method, a customer is asked to scratch a card on the purchase of a product, revealing a reward or gift.

46. Sampling method is generally used at the time of :
(a) Offering discount to the customers
(b) Launching a new brand
(c) Rebate
(d) Refunds

Ans : SQP 2014

(b) Launching a new brand
Sampling method is generally used at the time of launching a new brand. Discounts, refunds, and rebates are usually offered to boost sales.

47. "Purchase goods worth ₹3,000 and get a holiday package worth ₹3,000 free" is an example of :
(a) Full finance
(b) Contest
(c) Sampling
(d) Usable benefit

Ans : COMP 2011

(d) Usable benefit
In this case, when a customer buys goods of a certain value, they are given an equal amount of benefit in a different form. It is not an offer of finance or a sample. This is a usable benefit and not awarded under a contest.

48. Any paid form of non-personal presentation or promotion of ideas, goods, or services by an identified sponsor is termed as :
(a) Advertising
(b) Publicity
(c) Sales Promotion
(d) Personal Selling

Ans : MAIN 2019

(a) Advertising

49. An institution which is an expert at designing advertisements and releasing them through appropriate media is known as :
(a) Bank
(b) Stock Exchange
(c) Advertising Agency
(d) Insurance Company

Ans : SQP 2005

(c) Advertising Agency
An advertising agency is a business that specializes in creating, planning, and handling advertising for its clients. It also handles overall marketing, branding strategies, and promotions for clients.

50. A misleading label on a product is a violation of which consumer right?
(a) The Right to Safety
(b) The Right to Choose
(c) The Right to Consumer Education
(d) The Right to be Informed

Ans : COMP 2017

(d) The Right to be Informed
The Right to be Informed protects consumers from fraudulent, deceitful, or grossly misleading information, advertisements, and labeling, ensuring they make informed choices.

51. 'Horse dung is mixed in Dhania powder'—Which type of Consumer Exploitation is it?
(a) Overcharging
(b) Under Weighing
(c) Adulteration
(d) Misleading Advertising

Ans : MAIN 2022, 2021

(c) Adulteration
Adulteration involves adding inferior or harmful materials to alter the original quality or form of a product, compromising safety.

52. Right to seek redressal is one of the consumer rights. It ensures consumers the right to :
(a) Right to Legislation
(b) Right to Trade Practices
(c) Right to Seek Redressal
(d) Right to Equality

Ans : MAIN 2022, 2021

(c) Right to Seek Redressal
The Right to Seek Redressal enables consumers

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to address grievances against fraudulent or unfair trade practices. Consumers can seek compensation for damages based on the degree of harm caused.

53. The consumer has the right to be protected against the marketing of goods which are hazardous to life and property. This comes under the Right to _____.
(a) Safety
(b) Choose
(c) Be Heard
(d) Be Informed

Ans : SQP 2022, 2021

(a) Safety
The Right to Safety ensures that consumers are protected from goods and services that could be harmful to their health or safety. For example, using ISI-marked electrical appliances helps ensure safety standards.

54. Which of these is NOT a Consumer Exploitation?
(a) Overcharging
(b) Under-weighing
(c) Adulteration
(d) Obtain cash memo

Ans : COMP 2022, 2021

(d) Obtain cash memo
Obtaining a cash memo is a consumer's responsibility. It serves as proof of purchase and protects against exploitation. It is not an act of exploitation but a safeguard.

55. The Consumer Disputes Redressal Commissions (CDRCs) function at _____ levels.
(a) National
(b) State
(c) District
(d) All of these

Ans : MAIN 2022, 2021

(d) All of these
The CDRCs operate at National, State, and District levels to address consumer grievances comprehensively.

56. The right to acquire the knowledge and skill to be an informed consumer throughout life is known as _____.
(a) Right to be protected
(b) Right to consumer education
(c) Right to choose
(d) Right to seek Redressal

Ans : MAIN 2022, 2021

(b) Right to consumer education
The Right to Consumer Education ensures that consumers are informed about their rights and the risks associated with products or services, empowering them to avoid exploitation.

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57. 'Beware of misleading advertisements' is the responsibility of _____.
(a) A consumer
(b) A producer
(c) An employee
(d) None of the above

Ans : SQP 2022, 2021

(a) A consumer
Consumers must remain cautious of misleading advertisements, which often exaggerate product qualities. They should verify claims and make informed choices to avoid being misled.

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58. Match the following :

(i)	Creating artificial scarcity	I.	Consumer responsibility
(ii)	Be quality conscious	II.	Consumer exploitation
(iii)	To achieve maximum satisfaction	III.	Consumer protection
(iv)	Right to be heard	IV.	consumer awareness

(a) i – I, ii – III, iii – IV, iv – II
(b) i – II, ii – I, iii – IV, iv – III
(c) i – IV, ii – II, iii – III, iv – I
(d) i – I, ii – II, iii – IV, iv – III

Ans : MAIN 2006

(b) i – II, ii – I, iii – IV, iv – III
Creating artificial scarcity is consumer exploitation. Being quality conscious is the responsibility of a consumer. Consumer awareness can lead to achieving maximum satisfaction. Right to be Heard is a Consumer Protection Act.

59. Using products safely is the responsibility of _____.
(a) A consumer
(b) A producer
(c) An employee
(d) None of the above

Ans : SQP 2018

(a) A consumer
The responsibility of using products safely lies with the consumer. While producers provide instructions, consumers must follow them and exercise caution.

60. This remedy is mentioned in The Consumer Protection Act, 2019 :
(a) Removal of defects in goods or deficiency in service.
(b) Return of price paid by the consumer.
(c) Both (A) and (B).
(d) None of the above.

Ans : COMP 2003

(c) Both (A) and (B).
Both remedies, removal of defects and return of the price paid, are provisions of The Consumer Protection Act, 2019, to ensure consumer rights are protected.

61. Which of these is NOT true about the importance of Consumer Awareness?
(a) To achieve maximum satisfaction
(b) Protection against exploitation
(c) Knowledge regarding the solution of problems
(d) Consumption of harmful goods

Ans : MAIN 2022, 2021

(d) Consumption of harmful goods
Consumer awareness aims to control and prevent the consumption of harmful goods rather than promote it. The other options highlight the true aspects of the importance of consumer awareness, like satisfaction, protection, and knowledge.

62. Which of the following is NOT a benefit of E-Commerce over Traditional Commerce?
(a) Global marketplace
(b) Tailor-made product and services
(c) Reduction in cycle time of a transaction
(d) High operating cost

Ans : SQP 2022, 2021

(d) High operating cost
Operating cost is less in e-commerce as compared to traditional business because all the activities are done through online mode.

63. CRM in E-commerce stands for :
(a) Convenient Relationship Management
(b) Customer Relationship Management
(c) Consumer Related Marketing
(d) Chain Related Management

Ans : COMP 2022, 2021

(b) Customer Relationship Management
Customer Relationship Management (CRM) refers to the principles, practices, and guidelines that an organization follows when interacting with its customers. CRM serves to enhance the customer's overall experience.

64. Electronic Retailing represents _____ side of e-commerce.
(a) B2B
(b) B2C
(c) C2C
(d) C2G

Ans : MAIN 2024

(b) B2C
Electronic retailing (E-tailing) is the sale of goods and services through the internet. E-retailing can include business-to-consumer (B2C) sales of products and services.

65. Which module of the ERP system helps to manage employee information, salaries, and staff payment records etc.?
(a) Human Resource Module
(b) Inventory Module
(c) Sales Module
(d) Production Module

Ans : SQP 2022, 2021

(a) Human Resource Module
ERP Human Resource Module maintains the record of all employees including their name, designation, employee code, salary, & address. These details are stored in the module securely. HR module in ERP system manages the attendance of the employee. It also records their skill set so that employees can be assigned to particular tasks when needed. Payroll is also integrated into the module so that the payroll is generated on time without fail. This automated process requires no human intervention and increases the efficiency of ERP software on the whole.

66. _____ is a computer software system used to manage all the resources of an organization.
(a) E-Tailing
(b) E-Marketing
(c) E-Advertising
(d) ERP

Ans : COMP 2004

(d) ERP

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ERP refers to enterprise resource planning. It is a process used by companies to manage and integrate the important parts of their businesses.

67. Setting up measures and rules against attacks on the internet, protection of data and information stored on computers is known as _____.
(a) E-Marketing
(b) E-Advertising
(c) E-Tailing
(d) E-Security

Ans : MAIN 2022, 2021

(d) E-Security
E-Security refers to electronic security. It is one of the prevention measures to protect business and personal assets. It protects from both internal and external theft.

68. The _____ module of ERP can be used to track the stock of items using unique serial numbers to trace their current location within the organization.
(a) Purchase
(b) Human Resource
(c) Inventory
(d) Sales

Ans : SQP 2022, 2021

(c) Inventory
The inventory module of ERP facilitates tracking and maintaining the appropriate level of stock. The activities of inventory control include identifying inventory requirements.

69. The use of Biometrics and CCTV come under _____.
(a) e-tailing
(b) e-advertising
(c) e-security
(d) e-marketing

Ans : COMP 2004

(c) e-security
The purpose of using Biometrics and CCTV is to get better security and safeguard from any kind of trespassing or intruding activities. It also helps in making the place more secure and creating a safe environment. If, at all, any mishap takes place, these devices can be used as evidence.

70. Which of these is NOT an advantage of e-commerce?
(a) Ease of formation
(b) Extensive use of papers
(c) Global reach
(d) Speed

Ans : MAIN 2009

(b) Extensive use of papers
E-commerce minimizes the use of papers. It rather promotes paperless work. The other options are the advantages of e-commerce, i.e., ease of formation, global reach, and speed.

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71. Which of these is an ERP System Module?
(a) Sales Module
(b) Purchase Module
(c) Inventory Module
(d) All of these

Ans : SQP 2001

(d) All of these
ERP or Enterprise Resource Planning means a computer software or system used to manage all the resources of an organization in a centralized system/cross-functional software. Sales module, purchase module, and inventory module are the examples.

72. An attempt to bait a user into surrendering sensitive information, such as a username, password, credit card number, etc., is known as _____.
(a) Phishing
(b) E-Marketing
(c) Fund Raising
(d) E-Security

Ans : COMP 2012

(a) Phishing
Phishing is a term used where a person shares sensitive information to a person attempting to conduct an online fraud.

73. Global reach, convenience, speed, and lower investment are the benefits of _____ over _____.
(a) E-commerce; traditional methods
(b) Traditional methods; e-commerce
(c) E-marketing; e-commerce
(d) E-marketing; e-tailing

Ans : MAIN 2002

(a) E-commerce; traditional methods
E-commerce has added advantages like global reach, convenience, speed, and lower investment as compared to the traditional methods of transaction. It is much more efficient and easier to use, and nowadays, it is accepted almost everywhere.

74. Which of these is a disadvantage of an online purchase of goods and services?
(a) Consumers can place an order 24 x 7.
(b) There may not be a refund or replacement of a wrong product.
(c) Consumers cannot personally see or touch the product before buying.
(d) Consumers can get more discounts as compared to traditional shops.

Ans : SQP 2015

(c) Consumers cannot personally see or touch the product before buying.
Consumers cannot personally see or touch the product before buying, which is one of the disadvantages of online shopping.

75. What precautions should an online buyer take before placing an online order?
(a) Read the refund policy
(b) Read the reviews
(c) Do the research about the product and its company
(d) All of these

Ans : MAIN 2024

(d) All of these
An online buyer should make sure that he reads the refund policy as some of the items may not be refundable. He/she must read the reviews put by other buyers to help in deciding whether or not to buy the product. He/she should also do enough research about the product and its company to avoid any kind of misconception and also to check the genuineness of the product.

76. How can online market platforms like Amazon and Flipkart support traditional shops?
(a) By reducing the prices
(b) By co-partnering, traditional shops can sell online as well
(c) Making certain products available only online
(d) Offering huge discounts

Ans : SQP 2023

(b) By co-partnering, traditional shops can sell online as well
When the traditional shop owners can offer their products through such online platforms, they get more exposure. The other options would rather cut down the competition and traditional shops may suffer. If the prices of online products are reduced, the majority of the crowd would prefer to buy online. If the products are made available only online, it will create a sort of monopoly where traditional shops will be restricted from selling such products. Offering huge discounts by online platforms will work against traditional shops.

77. A market is defined as a setup where two or more parties engage in the exchange of goods, services, or information. Ideally, it is a place where buying and selling activities occur. What is the primary purpose of a market?
(a) To create goodwill among buyers
(b) To facilitate the exchange of goods, services, and information
(c) To enhance customer awareness
(d) To promote only online transactions

Ans : COMP 2022

(b) To facilitate the exchange of goods, services, and information
The main purpose of a market is to enable the exchange of goods, services, and information between buyers and sellers.

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78. Marketing aims to create demand, focus on consumer satisfaction, and enhance market share. Which of the following is NOT an objective of marketing?
(a) Maximizing customer satisfaction
(b) Increasing profitability
(c) Building goodwill
(d) Ignoring customer preferences

Ans : MAIN 2020

(d) Ignoring customer preferences
Marketing focuses on understanding and fulfilling customer preferences, not ignoring them. Its primary objectives include profitability, satisfaction, and goodwill.

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79. Marketing involves the design of products acceptable to customers, whereas selling is about procuring orders and delivering products. Which statement best explains the difference between marketing and sales?
(a) Marketing focuses on long-term customer relationships, while sales focus on short-term revenue generation.
(b) Sales involve only advertising, while marketing includes production.
(c) Marketing does not involve customer satisfaction, but sales do.
(d) Sales are broader than marketing in scope.

Ans : SQP 2008

(a) Marketing focuses on long-term customer relationships, while sales focus on short-term revenue generation.
Marketing is a comprehensive process aimed at building relationships, while sales are more transactional and focused on immediate revenue.

80. A product is anything offered to satisfy a want or need, with tangible and intangible attributes. Which of the following is NOT a characteristic of a product?
(a) Physical configuration
(b) Associated services
(c) Branding and packaging
(d) Intangible nature like a service

Ans : COMP 2007

(d) Intangible nature like a service
Products are primarily tangible, unlike services, which are intangible. Other characteristics include physical features, branding, and associated services.

81. Services are intangible, perishable, and inseparable from the provider. Which characteristic explains why a missed hotel booking results in a loss for the hotel?
(a) Intangibility
(b) Inseparability
(c) Perishability
(d) Variability

Ans : MAIN 2016

(c) Perishability
Services cannot be stored for future use. A missed booking leads to lost revenue, demonstrating the perishability of services.

82. Pricing helps businesses achieve goals such as maximizing profit, increasing market share, and ensuring price stability. Which of the following is NOT an objective of pricing?
(a) Preventing competition
(b) Increasing market share
(c) Ensuring price stability
(d) Maximizing profit

Ans : SQP 2013

(a) Preventing competition
Pricing is designed to meet or face competition, not to prevent it. It balances profitability, market share, and competitive dynamics.

83. Advertising is defined as a paid, non-personal communication method aimed at influencing potential customers. What is the role of advertising in supporting dealers?
(a) Reducing production costs
(b) Increasing product visibility and demand
(c) Introducing competition in the market
(d) Limiting consumer choices

Ans : COMP 2021

(b) Increasing product visibility and demand
Advertising helps dealers by creating awareness and driving demand for products, which indirectly boosts sales at retail levels.

84. The Consumer Protection Act, 2019, provides six rights to consumers, including the Right to Be Protected. What does this right ensure?
(a) Accurate and adequate product information
(b) Access to a variety of products at competitive rates
(c) Safety from hazardous goods and services
(d) Immediate resolution of disputes

Ans : MAIN 2010

(c) Safety from hazardous goods and services
The Right to Be Protected safeguards consumers against goods and services that could harm their life or property.

85. E-commerce enables consumers to shop online, providing benefits like convenience, speed, and global reach. Which of the following is NOT a benefit of e-commerce?
(a) Movement toward a paperless society
(b) Higher investment requirements than traditional commerce
(c) Ease of formation for businesses
(d) Availability of goods globally

Ans : SQP 2014

(b) Higher investment requirements than traditional commerce
E-commerce usually requires lower investment compared to traditional commerce, making it more accessible to businesses.

86. Consumer exploitation includes practices like overcharging, adulteration, and misleading advertisements. Which example best illustrates incomplete information?
(a) Selling a product above MRP
(b) Not disclosing side effects of a medicine
(c) Mixing water in milk to increase volume
(d) False claims of instant weight loss

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Ans : COMP 2011

(b) Not disclosing side effects of a medicine
Failing to disclose crucial information, such as side effects, is an example of incomplete information, a form of consumer exploitation.

87. Ms. Meera purchased a cosmetic product and did not ask for a receipt. Later, she found the product was defective but could not return it due to the lack of proof of purchase. Which consumer responsibility did Ms. Meera ignore?
(a) Reading labels carefully
(b) Filing a complaint when required
(c) Obtaining a cash memo
(d) Ensuring quality certification marks

Ans : MAIN 2019

(c) Obtaining a cash memo
Consumers must obtain a cash memo or receipt as proof of purchase, which is necessary for claiming returns or filing complaints.

88. A company advertises a product with the claim "Cures all illnesses instantly," but it fails to work as claimed. Which right can consumers invoke under the Consumer Protection Act, 2019?
(a) Right to Be Informed
(b) Right to Choose
(c) Right to Seek Redressal
(d) Right to Be Heard

Ans : SQP 2005

(c) Right to Seek Redressal
Consumers can invoke the Right to Seek Redressal to claim compensation or penalties for false or misleading advertisements.

89. A supermarket offers a "Flat 50% Off" on all products during a festival. What is the primary objective of this sales promotion strategy?
(a) To clear inventory quickly
(b) To increase brand loyalty
(c) To provide long-term discounts
(d) To create brand awareness

Ans : COMP 2000

(a) To clear inventory quickly
Sales promotions like discounts are typically used to encourage immediate purchases and clear inventory during specific periods.

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90. Mr. Arun prefers shopping online because it is convenient and allows him to compare products and prices across multiple platforms. Which benefit of e-commerce is demonstrated here?
(a) Paperless operations
(b) Global reach
(c) Convenience and comparison
(d) High investment requirements

Ans : MAIN 2006

(c) Convenience and comparison
E-commerce allows consumers to shop from the comfort of their homes and compare products and prices easily.

91. A company sets the price of its new smartphone slightly lower than its competitors to attract more customers. Which pricing objective is the company trying to achieve?
(a) Maximizing Profit
(b) Ensuring Price Stability
(c) Increasing Market Share
(d) Reducing Production Costs

Ans : SQP 2018

(c) Increasing Market Share
By setting a competitive price, the company aims to attract more customers and expand its market share.

92. A customer goes to a restaurant and receives poor service one day but excellent service on another day. Which characteristic of services does this demonstrate?
(a) Inseparability
(b) Intangibility
(c) Variability
(d) Perishability

Ans : COMP 2003

(c) Variability
Service quality often varies depending on the provider, time, and circumstances, demonstrating the variability of services.

93. Why is consumer awareness important in controlling the consumption of harmful goods?
(a) It helps protect consumers against exploitation.
(b) It ensures maximum satisfaction from purchased goods.
(c) It enables informed decisions about product safety.
(d) It reduces the overall price of harmful products.

Ans : MAIN 2004

(c) It enables informed decisions about product safety.
Consumer awareness helps individuals make informed choices and avoid products that could be harmful to their health or safety.

94. A store sells packaged food products with incomplete information about the ingredients and manufacturing date. What kind of consumer exploitation is this?
(a) Overcharging
(b) Adulteration
(c) Misleading Advertising
(d) Incomplete Information

Ans : SQP 2009

(d) Incomplete Information
Providing incomplete or inaccurate product information deprives consumers of their Right to Be Informed and constitutes exploitation.

95. Under the Consumer Protection Act, 2019, which authority can impose penalties for false or misleading advertisements?
(a) Consumer Disputes Redressal Commission (CDRC)
(b) Central Consumer Protection Authority (CCPA)
(c) District Consumer Forum
(d) National Consumer Council

Ans : COMP 2001

(b) Central Consumer Protection Authority (CCPA)
The CCPA is responsible for investigating and penalizing false or misleading advertisements under the Consumer Protection Act, 2019.

96. A businessman insures his office building against fire. In case of a fire, the insurer compensates him for the actual loss incurred. Which principle of insurance is being applied?
(a) Principle of Indemnity
(b) Principle of Subrogation
(c) Principle of Utmost Good Faith
(d) Principle of Contribution

Ans : MAIN 2012

(a) Principle of Indemnity
The Principle of Indemnity ensures that the insured is compensated for the actual financial loss, preventing any profit from the insurance claim.

97. Mr. Raj purchased a washing machine that stopped working within two months. The company refuses to repair or replace it. What should Mr. Raj do to resolve this issue under the Consumer Protection Act, 2019?
(a) File a complaint with the Consumer Disputes Redressal Commission (CDRC)
(b) Approach the Central Consumer Protection Authority (CCPA) directly
(c) Contact the company's advertising agency
(d) Ignore the issue as it is a minor fault

Ans : SQP 2002

(a) File a complaint with the Consumer Disputes Redressal Commission (CDRC)
The Consumer Protection Act, 2019, allows consumers to file complaints regarding defective products with the appropriate CDRC based on the claim amount.

98. A company launches a "Buy One, Get One Free" offer to clear its seasonal stock. What is the main objective of this sales promotion activity?
(a) To increase brand loyalty
(b) To encourage immediate purchases
(c) To build a long-term relationship with customers
(d) To reduce competition in the market

Ans : COMP 2015

(b) To encourage immediate purchases
Sales promotions like "Buy One, Get One Free" are short-term incentives designed to boost immediate sales and clear inventory.

99. A grocery store sells underweight packets of rice labeled as 1 kg. Which consumer right is being violated in this case?
(a) Right to Be Heard
(b) Right to Be Informed
(c) Right to Seek Redressal
(d) Right to Be Protected

Ans : MAIN 2017

(d) Right to Be Protected
The Right to Be Protected ensures consumers are safeguarded against hazardous and unfair trade practices, such as under-weighing products.

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100. A company promotes a product with the claim "100% guaranteed results," but customers find it ineffective. What action can consumers take under the Consumer Protection Act, 2019?
(a) Accept the product as it is
(b) File a complaint for misleading advertising
(c) Request a discount on the product
(d) Ignore the issue

Ans : SQP 2024

(b) File a complaint for misleading advertising
Under the Consumer Protection Act, 2019, consumers can file complaints against misleading advertisements to seek penalties for false claims.

101. A new restaurant sets its prices lower than competitors to attract more customers and capture a larger market share. Which pricing objective is the restaurant focusing on?
(a) Maximizing Profit
(b) Increasing Market Share
(c) Ensuring Price Stability
(d) Meeting Competition

Ans : COMP 2023

(b) Increasing Market Share
The restaurant's strategy of setting lower prices aims to increase its customer base and capture a larger share of the market.

102. Ms. Priya orders a mobile phone from an e-commerce website and receives a counterfeit product. What is the first step she should take to resolve this issue?
(a) File a complaint in the Consumer Disputes Redressal Commission (CDRC)
(b) Report the issue to the e-commerce platform
(c) Post negative reviews online
(d) Keep the counterfeit product as it is non-returnable

Ans : MAIN 2022

(b) Report the issue to the e-commerce platform
E-commerce platforms often provide a grievance redressal mechanism for resolving customer complaints before escalating to consumer forums.

103. Mr. Anil buys a packaged food product without checking the expiry date and later finds it to be expired. Which consumer responsibility did Mr. Anil fail to follow?
(a) Obtaining a cash memo
(b) Ensuring quality certification marks
(c) Reading labels carefully
(d) Filing a complaint when required

Ans : SQP 2020

(c) Reading labels carefully
Consumers have the responsibility to check product labels for information like expiry dates to avoid such issues.

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104. Mr. Ravi insures his house against fire damage. After a fire incident, the insurer compensates him for the actual loss incurred. Which principle of insurance is being applied here?
(a) Principle of Indemnity
(b) Principle of Utmost Good Faith
(c) Principle of Subrogation
(d) Principle of Insurable Interest

Ans : COMP 2008

(a) Principle of Indemnity
The Principle of Indemnity ensures the insured is compensated for the actual financial loss without making any profit.

105. A customer books a hotel room but does not show up. The hotel cannot sell the same room to another customer on the same day, resulting in revenue loss. Which characteristic of services is demonstrated here?
(a) Inseparability
(b) Intangibility
(c) Perishability
(d) Variability

Ans : MAIN 2007

(c) Perishability
Services like hotel rooms cannot be stored for later use, demonstrating their perishable nature.

106. A celebrity endorses a weight loss product that fails to deliver the promised results. What penalty can be imposed under the Consumer Protection Act, 2019, for endorsing misleading advertisements?
(a) Fine up to ₹10,000
(b) Fine up to ₹50 lakh and imprisonment
(c) Immediate suspension of celebrity endorsements
(d) No penalty as celebrities are not responsible

Ans : SQP 2016

(b) Fine up to ₹50 lakh and imprisonment
Under the Consumer Protection Act, 2019, endorsers of misleading advertisements can be fined up to ₹50 lakh and face imprisonment of up to two years for the first offense.

ASSERTION AND REASON

107. **Assertion (A) :** Marketing involves the identification of customer needs and creation of market offerings.
Reason (R) : Marketing focuses solely on selling products without considering customer satisfaction.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2024

(c) A is true, but R is false.
Marketing does involve identifying customer needs and creating market offerings, but it does not solely focus on selling; customer satisfaction is a key objective of marketing.

108. **Assertion (A) :** The Right to Seek Redressal ensures that consumers can claim compensation for defective goods and services.
Reason (R) : This right allows consumers to file complaints with the Consumer Disputes Redressal Commission (CDRC).
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2023

(a) Both A and R are true, and R is the correct explanation of A.
The Right to Seek Redressal empowers consumers to claim compensation for defects and file complaints with the CDRC.

109. **Assertion (A) :** The Principle of Indemnity ensures that the insured receives compensation equal to the loss suffered.
Reason (R) : Insurance contracts are designed to allow the insured to make a profit from claims.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2013

(c) A is true, but R is false.
The Principle of Indemnity ensures compensation is equal to the actual loss, but it does not allow the insured to profit from claims.

110. **Assertion (A) :** Services are intangible and cannot be touched or stored.
Reason (R) : Services are always uniform and consistent in quality across all providers.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2021

(c) A is true, but R is false.
Services are intangible, but they are not uniform; their quality varies due to the human factor involved in their delivery.

111. **Assertion (A) :** Sales promotion provides short-term incentives to encourage immediate purchases.
Reason (R) : Examples of sales promotion include developing a brand logo and designing advertisements.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2010

(c) A is true, but R is false.
Sales promotion includes tactics like discounts and free samples, not branding or advertising, which are separate marketing activities.

112. **Assertion (A) :** Misleading advertisements can result in consumer exploitation.
Reason (R) : Misleading advertisements provide consumers with accurate and sufficient information.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2014

(c) A is true, but R is false.

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Misleading advertisements deceive consumers by providing false or insufficient information, leading to exploitation.

113. **Assertion (A) :** Pricing objectives include ensuring price stability and maximizing profit.
Reason (R) : Pricing always ignores market competition to focus on consumer demands.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2011

(c) A is true, but R is false.
Pricing objectives include price stability and profitability, but pricing also considers market competition alongside consumer demands.

114. **Assertion (A) :** Advertising is a paid, non-personal communication method used to promote products or services.
Reason (R) : Advertising involves direct face-to-face interaction between the seller and the buyer.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2019

(c) A is true, but R is false.
Advertising is a paid and non-personal form of communication, unlike direct selling, which involves face-to-face interaction.

115. **Assertion (A) :** The Consumer Protection Act, 2019, penalizes misleading advertisements.
Reason (R) : Under the Act, the Central Consumer Protection Authority (CCPA) is responsible for handling misleading advertisements.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2005

(a) Both A and R are true, and R is the correct explanation of A.
The CCPA handles misleading advertisements and can impose penalties, which is a key feature of the Consumer Protection Act, 2019.

116. **Assertion (A) :** E-commerce enables businesses to reach a global market.
Reason (R) : E-commerce transactions are limited to a specific geographical location.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2000

(c) A is true, but R is false.
E-commerce has a global reach, unlike traditional commerce, which may be limited to specific geographical locations.

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117. **Assertion (A) :** Consumer awareness is essential for protecting consumers against exploitation.
Reason (R) : Consumer awareness helps consumers make informed decisions about products and services.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2006

(a) Both A and R are true, and R is the correct explanation of A.
Consumer awareness protects against exploitation by ensuring informed decision-making, which reduces the chances of being misled or deceived.

118. **Assertion (A) :** Sales promotion is a long-term strategy to maintain customer loyalty.
Reason (R) : Sales promotion includes offers like free samples and discounts to encourage immediate purchases.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2018

(d) A is false, but R is true.

Sales promotion is a short-term strategy to boost immediate purchases. Long-term customer loyalty is built through other strategies like branding or relationship marketing.

119. **Assertion (A) :** The Consumer Protection Act, 2019, allows consumers to file complaints at district, state, and national levels.
Reason (R) : Consumer Disputes Redressal Commissions (CDRCs) handle complaints related to overcharging, defective goods, and unfair trade practices.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2003

(a) Both A and R are true, and R is the correct explanation of A.
The Act provides a mechanism for resolving complaints through CDRCs, which operate at district, state, and national levels, depending on the claim amount and nature of the issue.

120. **Assertion (A) :** A company setting prices to maximize profits focuses on long-term customer satisfaction.
Reason (R) : Pricing strategies aim to balance profitability with consumer affordability and market competitiveness.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2004

(d) A is false, but R is true.
Maximizing profit does not necessarily prioritize long-term customer satisfaction. However, pricing strategies often aim for a balance between profitability, affordability, and competitiveness.

121. **Assertion (A) :** Services are perishable and cannot be stored for future use.
Reason (R) : Services, such as hotel rooms or airline seats, must be consumed at the time of production.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2009

(a) Both A and R are true, and R is the correct explanation of A.
Services are perishable because they cannot be stored or inventoried. For example, unused hotel rooms or airline seats result in lost revenue.

122. **Assertion (A) :** Advertising is a non-personal form of communication used to promote products or services.
Reason (R) : Advertising creates direct, one-on-one interaction between buyers and sellers.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2001

(c) A is true, but R is false.
Advertising is a non-personal communication tool, unlike direct selling, which involves one-on-one interaction between buyers and sellers.

123. **Assertion (A) :** E-commerce provides convenience and speed for consumers in purchasing goods and services.
Reason (R) : E-commerce allows businesses to operate without geographical constraints.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2012

(a) Both A and R are true, and R is the correct explanation of A.
E-commerce offers convenience and speed for consumers and enables businesses to sell products globally without geographical barriers.

124. **Assertion (A) :** Under-weighing products is a form of consumer exploitation.
Reason (R) : Consumer exploitation involves practices that harm consumers' interests, such as adulteration, overcharging, and misleading advertisements.

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(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2002

(a) Both A and R are true, and R is the correct explanation of A.
Under-weighing is one form of consumer exploitation, and it aligns with other unethical practices like adulteration and overcharging, which harm consumer interests.

125. **Assertion (A) :** Marketing involves identifying customer needs and creating offerings to satisfy them.
Reason (R) : Marketing is solely concerned with maximizing profits without focusing on customer satisfaction.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2015

(c) A is true, but R is false.
Marketing identifies customer needs and focuses on satisfaction, not just profit maximization. Customer satisfaction is a key objective of marketing.

126. **Assertion (A) :** The Central Consumer Protection Authority (CCPA) can impose fines and penalties for false or misleading advertisements.
Reason (R) : The Consumer Protection Act, 2019, aims to promote consumer awareness and protect consumer rights.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2017

(a) Both A and R are true, and R is the correct explanation of A.
The CCPA under the Consumer Protection Act, 2019, enforces penalties for false advertisements and promotes consumer awareness and protection.

127. **Assertion (A) :** The Principle of Utmost Good Faith requires both the insurer and the insured to disclose all material facts truthfully.
Reason (R) : Failure to disclose material facts may result in the cancellation of the insurance policy.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2024

(a) Both A and R are true, and R is the correct explanation of A.
The Principle of Utmost Good Faith ensures transparency in the insurance contract. Non-disclosure of facts can lead to the policy being voided.

128. **Assertion (A) :** E-commerce requires robust e-security measures to protect sensitive consumer data.
Reason (R) : E-security ensures the prevention of unauthorized access to payment and personal information.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2023

(a) Both A and R are true, and R is the correct explanation of A.
E-security safeguards consumer data by preventing unauthorized access, a critical requirement for e-commerce operations.

129. **Assertion (A) :** Services are highly consistent in quality across different providers.
Reason (R) : Services depend on human interaction, making them variable in quality.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2022

(d) A is false, but R is true.

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Services are variable because their quality depends on the provider, time, and place, making them inconsistent across different providers.

130. **Assertion (A) :** Selling adulterated food products is a form of consumer exploitation.
Reason (R) : Adulteration can harm the health and safety of consumers.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2020

(a) Both A and R are true, and R is the correct explanation of A.
Adulteration is unethical and harmful, constituting a form of consumer exploitation that compromises safety.

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131. **Assertion (A) :** Pricing strategies aim to prevent competition in the market.
Reason (R) : Pricing considers consumer affordability, competition, and company objectives.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2008

(d) A is false, but R is true.
Pricing strategies aim to meet or face competition, not prevent it. They consider affordability, market conditions, and company goals.

132. **Assertion (A) :** Advertising is a cost-free way to create product awareness.
Reason (R) : Advertising is a paid form of communication used to promote products and services.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2007

(d) A is false, but R is true.
Advertising involves paid communication to create awareness and promote products or services. It is not cost-free.

133. **Assertion (A) :** Consumer awareness reduces the chances of exploitation.
Reason (R) : Awareness helps consumers make informed choices about products and services.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2016

(a) Both A and R are true, and R is the correct explanation of A.
Consumer awareness empowers individuals to make informed decisions, protecting them from unethical practices and exploitation.

134. **Assertion (A) :** The Consumer Protection Act, 2019, establishes a mechanism for resolving disputes at different levels.
Reason (R) : It allows consumers to file complaints in the Central Consumer Protection Authority (CCPA) only.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2013

(c) A is true, but R is false.
The Act allows complaints to be filed at district, state, and national levels through Consumer Disputes Redressal Commissions, not only the CCPA.

135. **Assertion (A) :** Loyalty programs are an example of sales promotion.
Reason (R) : Sales promotions are designed to build long-term customer relationships.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

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Ans : SQP 2021

(b) Both A and R are true, but R is not the correct explanation of A.
Loyalty programs are a form of sales promotion, but sales promotions are primarily short-term incentives to boost immediate purchases rather than long-term relationship-building.

136. **Assertion (A) :** E-commerce transactions eliminate the need for physical stores.
Reason (R) : E-commerce enables consumers to shop online, offering convenience and global access.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2010

(a) Both A and R are true, and R is the correct explanation of A.
E-commerce allows businesses to operate without physical stores by providing global access and convenience to consumers.

STATEMENT BASED QUESTIONS

137. Which of the following statements is/are true regarding consumer rights under the Consumer Protection Act, 2019?
1. The Right to Be Heard allows consumers to file complaints if dissatisfied with a product or service.
2. The Right to Be Informed ensures consumers receive accurate and adequate information about products.
3. The Right to Seek Redressal guarantees compensation even if the consumer is at fault.

(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) All of the above

Ans : MAIN 2014

(a) 1 and 2 only
The Right to Be Heard allows consumers to voice their grievances, and the Right to Be Informed ensures accurate product details. However, the Right to Seek Redressal provides compensation only if the consumer is not at fault.

138. Which principle of insurance is described by the following statements?
1. The insured must disclose all material facts honestly at the time of contract formation.
2. Failure to disclose relevant facts can lead to claim rejection.

(a) Principle of Indemnity
(b) Principle of Insurable Interest
(c) Principle of Utmost Good Faith
(d) Principle of Subrogation

Ans : SQP 2011

(c) Principle of Utmost Good Faith
The Principle of Utmost Good Faith obligates both the insured and insurer to disclose all relevant facts truthfully. Non-disclosure or misrepresentation can lead to contract termination or denial of claims.

139. Identify the objective of pricing based on the following statements :
1. It helps maintain price consistency in the market.
2. It ensures no sudden or unexpected fluctuations in product prices.

(a) Maximizing Profit
(b) Increasing Market Share
(c) Ensuring Price Stability
(d) Meeting Competition

Ans : COMP 2019

(c) Ensuring Price Stability
The objective of ensuring price stability is to avoid sudden price changes, providing predictability for both consumers and businesses.

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140. Which characteristic of services is defined by the following statements?
1. Services cannot be separated from their provider.
2. Services must be consumed at the time of production.

(a) Intangibility
(b) Variability
(c) Perishability
(d) Inseparability

Ans : MAIN 2005

(d) Inseparability
Inseparability refers to the simultaneous production and consumption of services, meaning they cannot be detached from the service provider.

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141. Which of the following statements aligns with the responsibilities of a consumer?
1. Consumers should verify quality certification marks before purchase.
2. Consumers should check labels for accurate information about the product.
3. Consumers can remain unaware of product safety guidelines if they trust the seller.

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) All of the above

Ans : SQP 2000

(a) 1 and 2 only
Consumers have a responsibility to ensure quality and safety by verifying certification marks and reading product labels. Ignoring safety guidelines is against consumer responsibilities.

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142. Which of the following statements about advertising is correct?
1. Advertising is a paid form of mass communication.
2. Advertising aims to encourage potential customers to purchase products or services.
3. Advertising is always free of charge and voluntary.

(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) All of the above

Ans : COMP 2006

(a) 1 and 2 only
Advertising is a paid communication tool designed to promote products or services to potential customers. It is not free or voluntary.

143. Which of the following is NOT an importance of consumer awareness?
(a) Achievement of maximum satisfaction
(b) Formation of a healthy society
(c) Increase in product price
(d) Control over malpractices

Ans : MAIN 2018

(c) Increase in product price
Consumer awareness helps achieve satisfaction, form a healthy society, and curb malpractices but does not lead to an increase in product prices.

144. Which of the following statements is true about sales promotion?
1. Sales promotion includes short-term incentives to encourage immediate purchases.
2. Offering a "Buy One, Get One Free" deal is an example of sales promotion.
3. Sales promotion is aimed only at increasing brand loyalty in the long term.

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) All of the above

Ans : SQP 2003

(a) 1 and 2 only
Sales promotion involves short-term incentives like discounts and offers to boost immediate purchases. It is not exclusively aimed at long-term brand loyalty.

145. Which of the following is a benefit of e-commerce?
1. It provides global reach.
2. It requires a large initial investment compared to traditional commerce.
3. It offers convenience and paperless transactions.

(a) 1 and 3 only
(b) 2 and 3 only
(c) 1 and 2 only
(d) All of the above

Ans : COMP 2004

(a) 1 and 3 only
E-commerce provides global reach, convenience, and paperless transactions. It usually requires lower initial investment compared to traditional commerce.

146. Which of the following statements is an example of consumer exploitation?
1. Selling products at prices higher than the maximum retail price (MRP).
2. Providing detailed and accurate product information.
3. Adulterating food items to increase profit.

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) All of the above

Ans : MAIN 2009

(c) 1 and 3 only
Consumer exploitation includes practices like overcharging (selling above MRP) and

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adulteration. Providing accurate information is an ethical and fair trade practice.

147. Which of the following statements describes a characteristic of a product?
1. A product includes both tangible and intangible attributes.
2. The life cycle of a product is static and does not change over time.
3. A product's branding and packaging influence its market appeal.

(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) All of the above

Ans : SQP 2001

(b) 1 and 3 only
A product includes tangible and intangible attributes, and branding and packaging are crucial for market appeal. The life cycle of a product evolves over time, making Statement 2 incorrect.

148. Which of the following is NOT a responsibility of a consumer?
(a) Obtaining a cash memo for purchases
(b) Filing complaints when required
(c) Ignoring the environmental impact of products
(d) Ensuring quality certification marks before purchasing

Ans : COMP 2012

(c) Ignoring the environmental impact of products
Consumers are responsible for saving the environment by making informed choices. Ignoring environmental impact goes against this responsibility.

149. Which of the following statements about pricing objectives is true?
1. Pricing aims to ensure price stability in the market.
2. Pricing is used solely to maximize profitability, ignoring market share.
3. Pricing helps meet or prevent competition.

(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) All of the above

Ans : MAIN 2002

(b) 1 and 3 only
Pricing objectives include ensuring stability and addressing competition. Maximizing profit is one of many objectives but not at the cost of ignoring market share.

150. Which of the following statements about services is correct?
1. Services are intangible and cannot be stored.
2. Services have a fixed standard quality.
3. Services are inseparable from the service provider.

(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) All of the above

Ans : SQP 2015

(b) 1 and 3 only
Services are intangible, inseparable, and perishable. However, they are variable, meaning they do not have a fixed standard quality.

151. Which of the following is NOT an objective of advertising?
(a) To create brand awareness
(b) To induce potential customers
(c) To reduce product prices
(d) To educate customers about new uses of a product

Ans : COMP 2017

(c) To reduce product prices
Advertising focuses on brand awareness, customer inducement, and educating customers. Reducing product prices is not a direct objective of advertising.

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152. Which of the following provisions is NOT part of the Consumer Protection Act, 2019?
(a) Establishment of the Central Consumer Protection Authority (CCPA)
(b) Prohibition of misleading advertisements
(c) Imposing fines on consumers for filing complaints
(d) Establishment of Consumer Disputes Redressal Commissions (CDRCs)

Ans : MAIN 2024

(c) Imposing fines on consumers for filing complaints
The Consumer Protection Act, 2019, protects consumer rights, prohibits unfair trade practices, and provides mechanisms for redressal. It does not penalize consumers for filing complaints.

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153. Which of the following practices is an example of consumer exploitation?
(a) Providing complete product information
(b) Misleading advertising about product features
(c) Offering warranty services for defective products
(d) Ensuring competitive prices for goods

Ans : SQP 2023

(b) Misleading advertising about product features
Misleading advertising is a form of consumer exploitation as it deceives consumers about the product's actual qualities.

154. Which of the following activities is considered a sales promotion tactic?
1. Offering free samples of a product
2. Providing a 20% discount on a new product launch
3. Creating a brand name and logo
(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) All of the above

Ans : COMP 2022

(a) 1 and 2 only
Sales promotion includes short-term incentives like free samples and discounts. Creating a brand name and logo falls under branding, not sales promotion.

155. Which of the following is NOT a feature of e-commerce?
(a) Paperless transactions
(b) Limited to local markets
(c) Convenience for buyers
(d) Lower investment requirements

Ans : MAIN 2020

(b) Limited to local markets
E-commerce has a global reach, making it different from traditional commerce, which may be restricted to local markets.

156. Which of the following is an importance of consumer awareness?
1. Controlling the consumption of harmful goods
2. Protecting against exploitation
3. Increasing the prices of essential goods
(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) All of the above

Ans : SQP 2008

(a) 1 and 2 only
Consumer awareness helps protect consumers from exploitation and harmful goods. Increasing the price of essential goods is not a goal of consumer awareness.

157. Which principle of insurance is defined by the following statements?
1. The insurer compensates the insured only for the actual financial loss incurred.
2. The insured cannot profit from an insurance claim.
(a) Principle of Indemnity
(b) Principle of Subrogation
(c) Principle of Utmost Good Faith
(d) Principle of Insurable Interest

Ans : COMP 2007

(a) Principle of Indemnity
The Principle of Indemnity ensures that the insured is compensated only for the actual loss and cannot make a profit from the insurance claim.

158. Which of the following is a characteristic of services?
1. Services are intangible.
2. Services cannot be stored for later use.
3. Services are always uniform in quality.
(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) All of the above

Ans : MAIN 2016

(a) 1 and 2 only
Services are intangible and perishable, meaning they cannot be stored. However, services are variable and not always uniform in quality.

159. Which of the following is a key feature of the Consumer Protection Act, 2019 ?
1. Establishment of the Central Consumer Protection Authority (CCPA)
2. Imposition of penalties for misleading advertisements
3. Granting absolute immunity to manufacturers against consumer complaints
(a) 1 and 2 only
(b) 1 and 3 only
(c) 2 and 3 only
(d) All of the above

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Ans : SQP 2013

(a) 1 and 2 only
The Act establishes the CCPA and penalizes misleading advertisements but does not grant immunity to manufacturers.

160. Which of the following statements is true about consumer awareness?
1. It helps protect consumers from exploitation.
2. It promotes knowledge of consumer rights and responsibilities.
3. It increases the risk of using harmful products.

(a) 1 and 2 only
(b) 2 and 3 only
(c) 1 and 3 only
(d) All of the above

Ans : COMP 2021

(a) 1 and 2 only
Consumer awareness educates consumers about their rights and protects them from exploitation. It reduces, rather than increases, the risk of using harmful products.

PICTURE BASED QUESTIONS

161. Identify the picture :

(a) Warehouse
(b) Supermarket
(c) Bank
(d) Forecast

Ans : MAIN 2010

(b) Supermarket
The image represents a supermarket where people shop for groceries and other items.

162. Identify the picture :

(a) Bank
(b) Warehouse
(c) Logistics Service
(d) Inventory

Ans : SQP 2014

(c) Logistics Service
The image depicts a logistics service responsible for transporting goods and parcels.

163. Identify the picture :

(a) Advertising
(b) Packaging
(c) Branding
(d) Storage

Ans : COMP 2011

(b) Packaging
The image shows products with proper packaging ready for sale in a store.

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164. Identify the picture :

(a) Marketing Strategy
(b) Warehouse
(c) Consumer Awareness
(d) Forecast

Ans : MAIN 2019

(a) Marketing Strategy
The image depicts a meeting where a marketing strategy is being discussed using charts and plans.

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165. Identify the picture :

(a) Warehouse
(b) Advertisement
(c) E-Commerce
(d) Banking

Ans : SQP 2005

(c) E-Commerce
The image represents an e-commerce platform for online shopping.

166. Identify the picture :

(a) Budget
(b) Advertisement
(c) Logistics
(d) Warehouse

Ans : COMP 2006

(a) Budget
The image shows a balance sheet, which is typically part of budget planning.

167. Identify the picture :

(a) Advertisement
(b) Consumer Goods
(c) Packaging and Branding
(d) Logistics

Ans : MAIN 2007

(d) Logistics
The image highlights a logistics service involved in transporting goods with fragile handling.

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168. Identify the picture :

(a) Budget
(b) Advertising
(c) Branding
(d) Storage

Ans : SQP 2009

(b) Advertising
The image represents an advertisement displayed on a billboard to promote a product.

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169. Identify the picture :

(a) Logistics
(b) Warehouse Management
(c) Forecast
(d) Packaging

Ans : COMP 2001

(b) Warehouse Management
The image depicts the operation of managing inventory and storage in a warehouse.

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170. Identify the picture :

(a) Budget
(b) Forecast
(c) Logistics
(d) Advertising

Ans : MAIN 2012

(c) Logistics
The image illustrates the use of drones for logistics, a modern method for delivering goods.

TRUE FALSE QUESTIONS

171. The primary objective of marketing is to identify customer needs and deliver products that satisfy those needs.
(a) True
(b) False

Ans : MAIN 2024

(a) True
Marketing involves identifying customer needs and creating products or services that fulfill those needs to ensure customer satisfaction.

172. The Consumer Protection Act, 2019, establishes the Central Consumer Protection Authority (CCPA) to address complaints related to misleading advertisements.
(a) True
(b) False

Ans : SQP2023

(a) True
The CCPA under the Consumer Protection Act, 2019, is tasked with protecting consumer rights and taking action against unfair trade practices and misleading advertisements.

173. The Principle of Indemnity allows the insured to profit from an insurance claim.
(a) True
(b) False

Ans : COMP 2002

(b) False
The Principle of Indemnity ensures that the insured is compensated only for the actual loss incurred, preventing any profit from the claim.

174. Services are intangible, meaning they cannot be seen, touched, or stored.
(a) True
(b) False

Ans : MAIN 2015

(a) True
Services are intangible by nature and cannot be physically measured or stored, making them distinct from goods.

175. E-commerce transactions are limited to local markets and cannot operate globally.
(a) True
(b) False

Ans : SQP 2017

(b) False
E-commerce has a global reach, allowing businesses to operate beyond geographical boundaries and cater to international customers.

176. Selling adulterated food products is a form of consumer exploitation.
(a) True
(b) False

Ans : MAIN 2024

(a) True
Adulteration harms consumer interests and health, making it a clear example of consumer exploitation.

177. Sales promotion is primarily used to build long-term customer relationships.
(a) True
(b) False

Ans : SQP 2023

(b) False
Sales promotion is a short-term strategy aimed at boosting immediate purchases rather than building long-term relationships.

178. Consumers are responsible for checking labels and verifying quality marks before purchasing products.
(a) True
(b) False

Ans : COMP 2022

(a) True
Consumers have the responsibility to make informed decisions by reading labels and ensuring quality certifications on products.

179. Advertising is a free form of communication used to promote products or services.
(a) True
(b) False

Ans : MAIN 2022

(b) False
Advertising is a paid form of non-personal communication aimed at promoting products or services to potential customers.

180. Consumer awareness helps protect individuals from unfair trade practices and exploitation.
(a) True
(b) False

Ans : SQP 2020

(a) True
Consumer awareness empowers individuals with knowledge about their rights and responsibilities, helping them avoid exploitation and make informed decisions.

181. The Consumer Protection Act, 2019, provides the Right to Be Heard, allowing consumers to file complaints about defective goods and services.
(a) True
(b) False

Ans : COMP 2008

(a) True
The Right to Be Heard ensures consumers have the opportunity to file complaints and express grievances regarding defective products or unsatisfactory services.

182. The Principle of Utmost Good Faith requires only the insured to disclose all relevant facts truthfully.
(a) True
(b) False

Ans : MAIN 2007

(b) False

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The Principle of Utmost Good Faith applies to both the insurer and the insured, requiring both parties to disclose all material facts honestly.

183. Offering free samples of a new product is an example of a sales promotion strategy.
(a) True
(b) False

Ans : SQP 2016

(a) True
Sales promotion includes providing free samples to encourage customers to try a new product and boost immediate sales.

184. E-commerce requires businesses to have physical stores for operations.
(a) True
(b) False

Ans : COM 2013

(b) False
E-commerce allows businesses to operate online without the need for physical stores, providing convenience and global reach.

185. Services are inseparable, meaning they must be produced and consumed simultaneously.
(a) True
(b) False

Ans : MAIN 2021

(a) True
Inseparability is a key characteristic of services, indicating that production and consumption occur at the same time.

186. Consumer awareness includes knowledge about consumer rights, product information, and the ability to file complaints when necessary.
(a) True
(b) False

Ans : SQP 2010

(a) True
Consumer awareness equips individuals with the knowledge needed to make informed decisions and seek redressal when required.

187. Setting a product's price lower than competitors to attract more customers is an example of maximizing profit.
(a) True
(b) False

Ans : COMP 2014

(b) False
Setting a lower price to attract customers aims to increase market share, not necessarily to maximize profit.

188. Advertising aims to provide accurate and reliable information about products or services to customers.
(a) True
(b) False

Ans : MAIN 2011

(a) True
Advertising is a tool for informing potential customers about product features, benefits, and availability in an accurate and engaging manner.

189. Overcharging for a product beyond its MRP is considered consumer exploitation.
(a) True
(b) False

Ans : SQP 2019

(a) True
Overcharging is an unfair trade practice and a form of consumer exploitation, violating consumer protection laws.

190. The life cycle of a product includes stages such as introduction, growth, maturity, and decline.
(a) True
(b) False

Ans : COMP 2005

(a) True
The product life cycle consists of these stages, reflecting the product's journey from launch to eventual decline in the market.

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191. The Right to Be Informed ensures that consumers receive accurate and adequate information about the products and services they purchase.
(a) True
(b) False

Ans : MAIN 2000

(a) True
The Right to Be Informed is a consumer right that protects individuals by ensuring they have access to truthful and complete product or service information.

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192. E-commerce enables customers to shop from the comfort of their homes and access products from around the world.
(a) True
(b) False

Ans : SQP 2006

(a) True
E-commerce provides convenience by allowing customers to shop online and access a global marketplace without geographical restrictions.

193. Misleading advertisements that overstate product benefits are acceptable as long as they attract customers.
(a) True
(b) False

Ans : COMP 2018

(b) False
Misleading advertisements are unethical and prohibited under consumer protection laws, as they deceive customers and violate their rights.

194. Adulterating food products to increase profit is an ethical trade practice.
(a) True
(b) False

Ans : MAIN 2003

(b) False
Adulteration is a form of consumer exploitation and a violation of ethical trade practices, as it compromises the quality and safety of products.

195. Ensuring price stability is an objective of pricing to avoid sudden fluctuations in product prices.
(a) True
(b) False

Ans : SQP 2004

(a) True
Price stability is a pricing objective aimed at maintaining consistent prices and avoiding unexpected changes in the market.

196. Services are tangible, meaning they can be seen, touched, and stored for future use.
(a) True
(b) False

Ans : COMP 2009

(b) False
Services are intangible and cannot be seen, touched, or stored. They are consumed at the point of delivery.

197. Loyalty programs that reward repeat customers are a form of sales promotion.
(a) True
(b) False

Ans : MAIN 2001

(a) True
Loyalty programs are a sales promotion tactic designed to encourage repeat purchases and reward customer loyalty.

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198. The Consumer Protection Act, 2019, penalizes companies for selling hazardous goods and services.
(a) True
(b) False

Ans : SQP 2012

(a) True
Under the Consumer Protection Act, 2019, companies can face penalties for selling goods or services that are unsafe or hazardous to consumers.

199. The Principle of Insurable Interest requires that the insured must have a financial stake in the subject matter of insurance.
(a) True
(b) False

Ans : COMP 2002

(a) True
The Principle of Insurable Interest ensures that the insured has a legitimate financial or personal interest in the item being insured.

200. Consumer awareness aims to protect individuals from harmful goods and unethical business practices.
(a) True
(b) False

Ans : MAIN 2015

(a) True
Consumer awareness educates individuals about their rights and responsibilities, helping them avoid exploitation and make informed decisions.

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TWO MARK QUESTIONS

201. Distinguish between marketing and sales.

Ans : MAIN 2024 2019

The difference between marketing and sales are as follows :

S. No.	Marketing	Sales
(i)	It is the process of identifying and satisfying wants.	It is the process of exchanging goods for money.
(ii)	Long-term goals	Short-term goals
(iii)	Consumer-oriented activities	Production-oriented activities
(iv)	Wider scope	Narrower scope

202. Explain any two modes of purchasing goods.

Ans : SQP 2023, 2016

Two modes of purchasing goods are as follows :

1. Purchase through inspection : Purchasing after personal examination of a whole lot of goods at the seller's place.
2. Purchase by sample : Purchasing after examining a specimen of goods on the assumption that the sample represents the entire lot.

203. Explain how modern marketing is customer-oriented.

Ans : COMP 2022

Modern marketing begins and ends with the customer as it guides practicing managers to study the demands of customers before offering them any goods or services. Customer orientation emphasizes satisfying customers' needs better than any competitor.

204. Distinguish between product and service.

Ans : MAIN 2019, 2014

S. No.	Product	Service
(i)	Fully tangible.	Intangible; may have physical evidence.
(ii)	Can be stored.	Cannot be stored.
(iii)	Product can be replaced.	Services delivered cannot be replaced.

205. Mention any two objectives of Pricing.

Ans : SQP 2019

1. Increase in market share.
2. Getting ready to face competition.
3. To win the confidence of customers.

206. State any two characteristics of a service.

Ans : COMP 2020

The two characteristics of a service are as follows :

1. Intangibility : Services cannot be touched, seen, or physically possessed like goods. They are experiences or performances that are delivered to meet a specific need. For example, a doctor's consultation or a financial advice session.
2. Inseparability : Services are typically produced and consumed simultaneously, meaning the service provider and the consumer must interact during the delivery of the service. For instance, a haircut requires the presence of both the hairdresser and the customer at the same time.

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207. Define Product.

Ans : MAIN2008

A product is anything that can be offered to a market to satisfy a consumer's want or need. It includes tangible goods, services, or a combination of both. Products are designed to provide value and fulfill specific requirements of consumers.

208. Distinguish between advertising and publicity.

Ans : SQP 2020, 2019, 2015, 2012

Difference between advertising and publicity :

Point of Distinction	Advertising	Publicity
Sponsor	It is done by an identified sponsor.	In it, the sponsor is not identified.
Mode of Payment	It is paid for by the sponsor.	It is not directly paid for by the sponsor.
Nature	It is always impersonal.	It may be both personal and impersonal.

Control	The sponsor has direct control over the size and frequency of the message.	The sponsor does not control the size and frequency of the message.
Versatile	Advertising is less versatile.	Publicity is more versatile.

Outcome	Advertising stimulates and creates demand for a product or service.	Publicity creates a favourable public opinion about the organization and its activities.
Commercial value	Advertising has a commercial value/economic value.	Publicity may or may not have a commercial value/economic value.
Party which suffers	Sponsor suffers a loss.	Public who ignore the message suffer.
Correlation	Advertising is a part of publicity.	Publicity includes advertising

209. What is "Social Advertising Media"?

Ans : COMP 2019

Social Advertising Media refers to the use of communication platforms, such as social media and digital tools, to promote socially relevant messages or causes. Its goal is to create awareness and influence public behavior on issues like health, education, and environmental conservation. Examples include campaigns on recycling, mental health awareness, or vaccination drives shared on platforms like Facebook or YouTube.

210. What is an Advertising Agency?

Ans : MAIN 2019

An Advertising Agency is a professional organization that creates, plans, and executes advertising campaigns for businesses or clients. These agencies provide specialized services such as market research, creative design, media planning, and brand promotion to help clients effectively reach their target audience and achieve marketing objectives. Examples include global agencies like Ogilvy, Dentsu, and McCann.

211. Distinguish between Advertising and Sales Promotion.

Ans : SQP 2017, 2016

Advertising	**Sales Promotion**
To build the image of the producer and their product.	To increase immediate sales.
Long-term perspective.	Short-term perspective.
Regular and recurring.	Limited and non-recurring.

212. Distinguish between Coupons and Premiums.

Ans : COMP 2016

Coupons	**Premiums**
It is a certificate that entitles its holder to a specified saving or discount or gift on the purchase of a particular product.	It is the offer of an article free of cost or at a nominal price on the purchase of a specified product.
Example : Raymonds issue discount coupons.	Example : Lux soap may be given free on the purchase of a pack of Surf

213. State two methods or techniques of Sales Promotion.

Ans : MAIN 2011

Here are two common methods or techniques of Sales Promotion :

1. Discounts and Price Offers : Temporary price reductions or discounts to encourage immediate purchases. For example, "Buy One, Get One Free" or "20% Off for a Limited Time."
2. Coupons and Vouchers : Issuing coupons that offer a specific discount or benefit when redeemed. For instance, a coupon for "$5 off on your next purchase."

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214. Define sales promotion.

Ans : SQP 2019

According to A.H.R. Delens :
"Sales promotion means any step that is taken for the purpose of obtaining or increasing sales. Often, this term refers specially to selling efforts that are designed to supplement personal selling and advertising, and by coordination helps them to become more effective."

215. State any two features of the Consumer Protection Act.

Ans : COMP 2020, 2016

Salient features of the Consumer Protection Act :
1. Social Welfare Law
2. Comprehensive Provision and Effective Safeguards
3. Special Consumer Courts
4. Three-tier Grievance Redressal Machinery
5. Simple and Inexpensive
6. Covers Goods and Services
7. Time Frame
8. Class Action
9. Check on Unfair Trade Practices
10. Check on Overcharging
11. Consumer Protection Councils
12. It protects consumers from exploitation and provides the consumers with special consumer rights.

216. State any two rights of a consumer.

Ans : MAIN 2019, 2013

Two Rights of a Consumer are as follows :
1. Right to Protection : Consumers have the right to be protected against goods and services that are hazardous to life and property.
2. Right to Information : Consumers have the right to receive accurate and adequate information about the quality, quantity, purity, standard, and price of goods and services to make informed decisions.

217. Explain the Right to Consumer Awareness under the Indian Consumer Protection Act.

Ans : SQP 2018

The Right to Consumer Awareness ensures consumers are informed about their rights, responsibilities, and remedies under the law. It helps them identify unfair trade practices, understand product certifications (e.g., ISI, FSSAI), and make informed decisions. This right protects consumers from exploitation, promotes accountability among businesses, and supports fair trade, leading to a more transparent and ethical marketplace.

218. Mention any two remedies which are available to an affected consumer under The Consumer Protection Act, 2019.

Ans : COMP 2010

Two remedies available to an affected consumer under The Consumer Protection Act are as follows :
1. Removal of defects in goods or deficiency in service.
2. Return of price paid by the consumer.

219. What do you mean by E-security?

Ans : MAIN 2010

Electronic security means network security, browser security, and computer security. It involves setting measures and rules against attacks over the Internet via hacking, phishing, etc. CCTV surveillance, intruder alert, fingerprint scanners, etc., are examples of e-security.

220. Candidates were very familiar with E-security measures and most of them answered this part correctly.

Ans : SQP 2024

Learn the importance of E-security. Learn examples of hacking, phishing, whaling, etc. Also, know about the need for CCTV, biometrics, etc.

221. What is E-tailing?

Ans : COMP 2020

Electronic retailing means selling goods in retail on the internet. Example : amazon.com, flipkart.com, snapdeal.com, etc. It has led to the development of e-tail ware i.e., a software for creating online catalogues.

222. Give the meaning of e-advertising.
or
Give the meaning of e-marketing.

Ans : MAIN 2023

e-Marketing (Electronic Marketing) is also known as Internet Marketing, Web Marketing, Digital Marketing, or Online Marketing. e-Marketing is the process of marketing a product or service using the internet. e-Marketing not only includes marketing on the Internet but also includes

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marketing done via e-mail and wireless media. It uses a range of technologies to help connect businesses to their customers.

223. What is the role of the Central Consumer Protection Authority (CCPA) under the Consumer Protection Act, 2019?

Ans : SQP 2022

The Central Consumer Protection Authority (CCPA) is responsible for protecting, promoting, and enforcing the rights of consumers. It regulates matters related to unfair trade practices, misleading advertisements, and violations of consumer rights. The CCPA can also impose fines and penalties for false or misleading advertisements.

224. What are two objectives of pricing for a product or service?

Ans : COMP 2020

1. Maximize Profit : Pricing helps achieve the desired rate of return and maximize overall profitability.
2. Increase Market Share : Competitive pricing strategies can attract more customers and expand the business's market share.

225. Explain two characteristics of services.

Ans : MAIN 2008

1. Intangibility : Services cannot be seen, touched, or stored; they are intangible in nature.
2. Inseparability : Services are produced and consumed simultaneously, meaning they cannot be separated from the service provider.

226. State two objectives of advertising.

Ans : SQP 2007

1. Create Brand Awareness : Advertising helps inform potential customers about the existence of a product or service.
2. Induce Potential Customers : It encourages customers to try or buy a product through attractive promotional messages.

227. Why is consumer awareness important?

Ans : COMP 2016

Consumer awareness is important because it protects consumers from exploitation, ensures they make informed decisions, and promotes their ability to seek redressal against unfair trade practices.

228. What is the Principle of Indemnity?

Ans : MAIN 2013

The Principle of Indemnity ensures that the insured is compensated only for the actual financial loss incurred and does not make any profit from an insurance claim.

229. What does the Right to Be Informed ensure for consumers?

Ans : SQP 2021

The Right to Be Informed ensures that consumers receive accurate, adequate, and truthful information about products and services to make informed decisions.

230. What is meant by the perishability of services?

Ans : COMP 2010

Perishability refers to the fact that services cannot be stored for later use. For example, unused hotel rooms or airplane seats result in lost revenue.

231. What is the primary purpose of advertising?

Ans : MAIN 2014

The primary purpose of advertising is to create awareness about a product or service and influence potential customers to make a purchase.

232. What is the role of Consumer Disputes Redressal Commissions (CDRCs)?

Ans : SQP 2011

The CDRCs handle consumer complaints at the district, state, and national levels related to unfair trade practices, overcharging, defective goods, and unsafe services.

233. What are two benefits of e-commerce for businesses?

Ans : COMP 2019

1. Global Reach : E-commerce allows businesses to sell products internationally without geographical constraints.
2. Lower Investment Requirements : It eliminates the need for physical stores, reducing overhead costs.

234. Mention two responsibilities of consumers.

Ans : MAIN 2005

1. Reading Labels Carefully : Consumers must check product labels for important information like expiry dates and ingredients.

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2. Obtaining a Cash Memo : Consumers should always collect a receipt as proof of purchase for future reference.

235. Give two examples of sales promotion techniques.

Ans : SQP 2000

1. Free Samples : Offering free samples to encourage customers to try a product.
2. Discount Offers : Providing discounts like "Buy One, Get One Free" to boost sales.

236. List two objectives of pricing.

Ans : COMP 2006

1. Maximizing Profit : Achieving a high return on investment.
2. Ensuring Price Stability : Avoiding sudden fluctuations in prices.

237. What is consumer exploitation? Give one example.

Ans : MAIN 2018

Consumer exploitation refers to unfair practices that harm consumers' interests, such as overcharging, adulteration, or misleading advertisements.
Example : Selling underweight products labeled as 1 kg.

238. Why is consumer awareness important?

Ans : SQP 2003

Consumer awareness is important to protect individuals from unfair trade practices, enable informed decision-making, and promote the ability to seek redressal when necessary.

239. What is the Principle of Utmost Good Faith?

Ans : COMP 2004

The Principle of Utmost Good Faith requires both the insurer and the insured to disclose all material facts honestly during the formation of the insurance contract.

240. State two objectives of advertising.

Ans : MAIN 2009

1. To Create Brand Awareness : Advertising informs consumers about the existence of a product or service.
2. To Induce Potential Customers : It encourages customers to purchase the product.

241. What is the Right to Seek Redressal?

Ans : SQP 2001

The Right to Seek Redressal allows consumers to file complaints and seek compensation or relief for defective products or unsatisfactory services.

242. What are two features of marketing?

Ans : COMP 2012

1. Identification of Needs and Wants : Marketing identifies customer requirements to develop suitable products.
2. Exchange Mechanism : It facilitates the exchange of goods and services between buyers and sellers.

243. Mention two characteristics of a product.

Ans : MAIN 2002

1. Packaging and Branding : Products are packaged and branded to attract customers.
2. Life Cycle : Products have a life cycle comprising introduction, growth, maturity, and decline stages.

244. What are two advantages of e-commerce for consumers?

Ans : SQP 2015

1. Convenience : Consumers can shop from home at any time.
2. Comparison : E-commerce allows easy comparison of products and prices across platforms.

245. What are two types of consumer exploitation?

Ans : COMP 2017

1. Overcharging : Charging a price higher than the maximum retail price (MRP).
2. Adulteration : Mixing inferior substances with products to increase profit.

246. What are two functions of a warehouse?

Ans : MAIN 2024

1. Storage of Goods : Warehouses store inventory safely.
2. Inventory Management : Warehouses help organize and track stock efficiently.

247. Why is pricing important for businesses?

Ans : SQP 2023

Pricing is important because it directly affects profitability and competitiveness in the market. It also influences consumer purchasing decisions.

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FIVE MARKS QUESTIONS

248. Briefly explain the five main objectives of Marketing.

Ans : MAIN 2020, 2015, 2014, 2011, 2010

The five main objectives of marketing are :

1. Creation of demand : A business firm should create demand for its goods and services according to the needs and preferences of customers. Advertising, personal selling, sales promotion, etc., are some methods to create demand.
2. Customer satisfaction : Marketing activities begin and end with the customers, focusing on selling satisfaction rather than merely selling a service or a product.
3. Market share : Every business firm seeks to have a reasonable share of the total demand. Good quality products are offered at reasonable prices to capture a large share of the market.
4. Profitability and growth : Marketing seeks to achieve long-term goals of profitability and growth by satisfying the wants of customers.
5. Goodwill : The enterprise should aim to earn a name and position in the market by selling quality goods at reasonable prices.
6. Standard of living : Marketing aims at improving living standards by providing a wide variety of products, supplying new and better-quality products, and creating more employment opportunities. It also focuses on producing environmentally friendly goods and does not deceive customers with unfair or restrictive trade policies.

249. Marketing is essential for the success of a business organization. Give four reasons to support your answer.

Ans : SQP 2011

Marketing is essential for the success of a business organization because of the following reasons :

1. Transfer, Exchange, and Movement of Goods : Marketing is very helpful in the transfer, exchange, and movement of goods. Goods and services are made available to customers through various intermediaries such as wholesalers and retailers. Marketing helps both producers and consumers. For producers, it identifies specific consumer needs and preferences, and for consumers, it provides information about products manufacturers can offer.
2. Source of Income and Revenue : The performance of the marketing function is important because it is the primary way through which a business generates revenue or income and earns profits. Marketing creates opportunities for profit by facilitating the buying and selling of goods, creating time, place, and possession utilities. The generated income and profit are reinvested to ensure future profitability. The survival of the firm often depends on the effectiveness of its marketing function.
3. Boosts Sales : Marketing boosts sales by utilizing various methods to promote products or services. These include word-of-mouth, social media, direct marketing, press, radio, TV, point-of-sale promotions, company websites, and other channels. These methods attract and persuade customers to purchase products or services, thereby increasing sales and positively impacting profitability.
4. Brand Building : Brand reputation is what makes or breaks a brand. For a product or service to thrive, it must aim to have a strong reputation in the market by utilizing effective marketing mediums. When a brand is affiliated with a certain standard, it leads to an increase in sales and business expansion.
5. Customer Focus : The marketing function of a business is customer-centered. It involves understanding customer needs and producing goods accordingly. The existence of a business depends on addressing human needs. In a competitive market, the products best suited to customers are the ones that are well-accepted.

250. What is Pricing? Explain any four of its objectives.

Ans : COMP 2019

Pricing is the process of deciding the price customers will pay for a product or service. It involves various intangible and interrelated factors. Sound pricing requires intelligent judgment on market conditions and customer relations.

The main objectives of pricing followed by all firms are as follows :

1. Price Stability : In this objective, a firm seeks to cut or eliminate cyclical price fluctuations and avoid price wars. Price stability helps in planned and regular production in the

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long run. However, it may create rigidity in pricing.

2. Capture Market Share : Market share refers to sales of a firm in relation to those of competitors. It is a meaningful mark for measuring the market position of a firm. The pricing objective of capturing more market share is followed in an expanding market where there is potential for growth.
3. Meet or Prevent Competition :In a market characterized by cutthroat competition, firms often make pricing decisions to meet or prevent competition.
4. Profit Maximization : Firms pursuing this objective try to earn as much money as possible. Small and lesser-known firms may try to charge as much as the customer can bear. Due to high profits, new entrepreneurs will be attracted to enter the industry, and prices may come down in the long run.

251. Explain the characteristics of services.

Ans : MAIN 2024

1. Intangibility : Services are intangible, meaning they cannot be touched, seen, or physically measured like goods. A service is an experience or a performance that provides value, such as healthcare, education, or entertainment. Due to this intangibility, it is difficult to assess the quality of a service before consumption.
2. Inseparability : Services are produced and consumed simultaneously. Unlike goods, which can be manufactured, stored, and then sold, services require the presence of both the service provider and the consumer at the time of delivery. For example, a hotel stay or a flight requires the presence of both the provider and the customer.
3. Perishability : Services cannot be stored for later use. If a service is not utilized at the time of availability, it is lost forever. For example, an unoccupied seat on a flight or in a movie theater cannot be sold after the scheduled time.
4. Variability (Heterogeneity) : The quality of services can vary significantly depending on who provides them, when, where, and how they are provided. For instance, the quality of a meal in a restaurant may differ depending on the chef, staff, or day of the visit.
5. Lack of Ownership : Services do not result in ownership of a physical product. For example, when you book a hotel room or rent a car, you are only using the service temporarily but do not own the asset itself.

252. Briefly, explain any five benefits of advertising to producers.

or

State five benefits of Advertising to manufacturers/ dealers.

Ans : SQP 2020, 2014

Advertising is helpful to manufacturers and dealers in the following ways :

1. Meeting Competition : Advertising is an important means of facing competition. By creating brand loyalty, it helps to maintain sales and market share. It supplements personal selling and sales promotion. It creates preferences for a particular product, opens doors for salesmen, and reinforces the point of purchase display, thereby reducing the costs of creating and maintaining demand. Dealers prefer to handle well-advertised products.
2. Steady Demand : Advertising creates regular demand by smoothing out seasonal and other fluctuations.
3. Higher Sales Volume : Advertising helps to increase demand, expand the market, and enhance sales of existing products. Through repeated advertising, a producer can create new customers and enter new markets. It creates new wants and increases sales. Advertising is an essential technique of mass selling.
4. Introduction of New Product : Advertising is helpful in introducing new products by creating awareness and gaining their acceptance. By informing customers about the new product, advertising stimulates their interest and persuades them to buy it. Effective advertising helps in overcoming customers' resistance to new products.
5. Economies of Scale : Advertising helps with the mass distribution of goods. It reduces dependence on middlemen as dealers are more willing to stock and sell well-advertised goods. Direct distribution and rapid sales turnover help reduce the costs of distribution. Mass distribution and steady demand lead to large-scale and regular production. As a result, several economies of scale become available, and the cost of production per unit is reduced.

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253. What is an Advertising Agency? Explain any two of its functions.

Ans : COMP 2019

An advertising agency is a specialized organization that provides all advertisement-related services to businesses for a fee or commission. It is dedicated to creating, planning, and managing advertising campaigns.

Functions of an Advertising Agency :

1. Attracting Clients : Advertising agencies attract clients by offering expert, economical, and quick services. They maintain good relations, focus on customer satisfaction, and aim to achieve goodwill and loyalty.
2. Research Function : Agencies gather and analyze information related to clients' products, competitors, and market conditions. This research helps in designing effective advertising strategies.
3. Advertising Planning : Agencies plan comprehensive advertising campaigns based on market analysis, competitors, and product positioning. After the plan is approved, it is executed to achieve desired results.
4. Creative Function : The creative team designs advertisements by writing content, drawing photographs, creating illustrations, and crafting layouts. These efforts ensure appealing and effective advertisements.
5. Media Selection : Agencies help clients choose the best media platforms, such as television, newspapers, or the internet, for maximum impact at the lowest cost.
6. Advertising Budget : Agencies assist in preparing budgets to optimize the economic use of resources and maximize advertising effectiveness.
7. Coordination : Agencies ensure smooth coordination between advertisers, media, and distributors, enhancing the efficiency of advertising campaigns.
8. Sales Promotion : Agencies support clients by introducing sales promotion measures like dealer incentives and consumer offers to boost product sales.
9. Marketing Research : Agencies conduct marketing research to solve clients' problems and identify opportunities for improvement.
10. Public Relations (PR) : Advertising agencies handle public relations by fostering goodwill between clients and various stakeholders, including customers, employees, and media owners.

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254. Suggest any five ways customers benefit from Advertising.

Ans : MAIN 2023

1. Tool for Market Promotion : There are various tools used for market communication, such as advertising, sales promotion, personal selling, and publicity. Advertising is a powerful, expensive, and popular element of the promotion mix.
2. Non-personal : Advertising is a type of non-personal or mass communication with the target audience. A large number of people are addressed at a time. It is called non-personal salesmanship.
3. Paid Form : Advertising is not free of costs. Advertisers, called sponsors, must spend money to prepare messages, buy media, and monitor advertising efforts. It is the costliest option for market promotion. Companies must prepare advertising budgets to manage these costs appropriately.
5. Wide Applicability : Advertising is a popular and widely used means for communicating with the target market. It is not used only for business and profession, but also by museums, charitable trusts, government agencies, educational institutions, and others to inform and attract various target groups.
6. Varied Objectives : Advertising is aimed at achieving various objectives. It targets increasing sales, creating and improving brand image, facing competition, building relations with the public, or educating people.
7. Forms of Advertising : Advertising messages can be expressed in written, oral, audible, or visual forms. Mostly, messages are expressed in a joint form, such as oral-visual or audio-visual.
8. Use of Media : Advertisers can use any of several advertising media to convey messages. Widely used media include :
   (i) Print media : Newspapers, magazines, pamphlets, booklets, letters, etc.
   (ii) Outdoor media : Hoardings, signboards, wall-printing, vehicle banners, etc.
   (iii) Audio-visual media : Radio, television, films, internet, or other digital platforms.
9. Advertising as an Art : Today's advertising tasks are complex. Message creation and presentation require knowledge, creativity, skills, and experience. Advertising is considered an artful activity.

10. Element of Truth : It is difficult to say that advertising messages always reveal the truth. Many advertisements exaggerate facts. Legal provisions ensure a degree of truthfulness, but claims in advertisements are not guaranteed to be completely true. Many advertisements are producer-centered, materialistic, or misleading.
11. One-way Communication : Advertising involves one-way communication, where messages move from the company to customers or sponsors to audiences. Feedback from customers to marketers is usually absent, making it difficult for advertisers to gauge the influence of their messages.

255. Discuss the objectives of advertising.
What is social advertising media? Give examples.

Ans : SQP 2022

Social media advertising is a term used to describe online advertising that focuses on social networking sites. One of the major benefits of advertising on social networking sites (e.g., Facebook, Twitter) is that advertisers can take advantage of the user's demographic information and target their ads appropriately.

Advertising combines current targeting options to make detailed target group identification possible. With social media advertising, advertisements are distributed to users based on information gathered from target group profiles.

Examples :

1. Social networking : Facebook, LinkedIn, Google+.
2. Microblogging : Twitter, Tumblr.
3. Photo sharing : Instagram, Snapchat, Pinterest.
4. Video sharing : YouTube, Facebook Live.

256. Explain any five techniques used in sales promotion.

Ans : COMP 2008

Five techniques used in sales promotion are :

1. Rebate : Offering products at special prices to clear off inventory.
   Example : A car manufacturer's offer to sell a particular brand of car at a discount of ₹10,000 for a limited period.
2. Discount : Offering products at less than the list price.
   Example : A shoe company's offer of "Discount up to 50%" or a shirt marketer's offer of "50% + 40% Discount."
3. Refunds : Refunding a part of the price paid by customers on some proof of purchase, such as returning empty foils or wrappers. This is commonly used by food product companies to boost sales.
4. Product Combinations : Offering another product as a gift along with the purchase of a product.
   Example : A pack of 5 kg rice free with a bag of atta (wheat flour), or "Buy a TV and get a Vacuum Cleaner Free."
5. Quantity Gift : Offering extra quantity of a product.
   Example : A shaving cream offering "40% Extra" or a hotel offering "Buy a 2-night stay and get 1 night free."
6. Instant Draws and Assigned Gifts : Customers can "Scratch a Card" or "Burst a Cracker" and instantly win prizes like a refrigerator, car, T-shirt, or computer with the purchase of a product.
7. Lucky Draw : Customers enter a lucky draw for prizes such as gold coins or cars upon purchasing a product.
8. Usable Benefit : Offers such as "Purchase goods worth ₹3,000 and get a holiday package worth ₹3,000 free" or "Get a discount voucher for accessories on apparel purchases of ₹1,000 and above."
9. Full finance @ 0% : Many marketers of consumer durables such as electronic goods and automobiles offer easy financing schemes, such as "24 easy installments, 8 upfront, and 16 as post-dated cheques." However, one should be cautious about file charges, which are often just interest recovered in advance.
10. Sampling : Offer of free samples of a product, such as detergent powder or toothpaste, to potential customers during the launch of a new brand.
11. Contests : Competitive events involving the application of skills or luck, such as solving a quiz or answering some questions.

257. Distinguish between advertising and sales promotion.

Ans : MAIN 2007

Distinction Between Advertising and Sales Promotion

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Aspect	Advertising	Sales Promotion
Definition	A paid form of non-personal communication to inform or persuade consumers.	Short-term incentives to encourage immediate purchases.
Objective	To create long-term brand awareness and loyalty.	To boost immediate sales by offering attractive incentives.
Duration	Long-term strategy.	Short-term activities.
Focus	Builds a brand image and educates consumers.	Stimulates direct consumer action, like purchases.
Examples	TV ads, online campaigns, print media.	Discounts, free samples, coupons, contests.

258. What are the various ways by which consumers are exploited?

Ans : SQP 2020

The various ways by which consumers are exploited :

1. Overcharging : charging unjustifiably high prices/hidden prices/hidden cost component
2. Under weighing : giving less weight or quantity
3. Adulteration : mixing undesirable elements in goods/substandard quality/spurious goods/ products sold after best-before date/duplicate or fake products
4. Misleading advertisement
5. Not informing consumers about adverse impacts of the product
6. Unsatisfactory after-sales service
7. Creating artificial scarcity

259. Explain any five rights enjoyed by consumers as per the Consumer Protection Act, 2019.

Ans : COMP 2016

The rights of a consumer are :

1. Right to be Protected : It means the right to be protected against goods and services which are dangerous towards health and life. Risks may be caused due to the use of sub-standard products or products that do not conform to the safety norms. This can cause grave injury to the consumer, thereby calling for protection from such hazardous products.
2. Right to be Informed : Consumers have the right to be informed about the quality, quantity, potency, purity, standard, price, and any other relevant attributes of the goods he/she intends to buy. The manufacturers and the traders should disclose all relevant information that might affect the decision of the consumer about buying a product.
3. Right to Choose : Consumers have the right and freedom to choose a product from a wide range of products at competitive prices. Aggressive selling techniques should not be used to sell any product.
4. Right to be Heard : The grievances and claims of a consumer must be heard and considered. He has the right to register his dissatisfaction and be heard at appropriate forums.
5. Right to Seek Redressal : Consumers have the right to get their claims and complaints settled at appropriate forums against manufacturers or traders if they are exploited by them.
6. Right to Consumer Awareness : The consumer has the right to know his rights and the remedies available to him under different laws. This will help make consumers conscious and they will be able to protect themselves from fraudulent practices.

260. Enumerate the responsibilities of a consumer.

or

Enumerate the importance of consumer awareness.

Ans : MAIN 2013

Importance of Consumer Awareness :

1. To achieve maximum satisfaction : The income of every individual is limited. He wants to buy maximum goods and services with his income. He gets full satisfaction only by this limited adjustment. Therefore, it is necessary that he should get the goods which are measured appropriately, and he should not be cheated in any way. For this, he should be made aware.
2. Protection against exploitation : Producers and sellers exploit the consumers in many ways, such as underweighing, taking more price than the market price, selling duplicate goods, etc. Big companies, through their advertisements, also mislead the consumers.

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Consumer awareness shields them from the exploitation by producers and sellers.

3. Control over consumption of harmful goods : There are several such goods available in the market which cause harm to some consumers, like cigarette, tobacco, liquor, etc. Consumer education and awareness motivate people not to purchase such goods, which are very harmful for them.
4. Motivation for saving : The awareness controls people from wastage of money and extravagance and inspires them to take the right decision. Such consumers are not attracted by sales, concessions, free gifts, attractive packing, etc., due to which people can use their income in a right way and can save money.
5. Knowledge regarding solution of problems : The consumers are cheated due to illiteracy, innocence, and lack of information. Therefore, it becomes necessary that the information about their rights should be provided to them so that they cannot be cheated by producers and sellers. Through consumer awareness, they are also made known to the proceedings of laws so that they can solve their problems.
6. Construction of healthy society : Every member of the society is a consumer. So, if the consumer is aware and rational, then the complete society becomes healthy and alert towards their rights.

261. What is ERP? Explain any three modules of the ERP System.

Ans : SQP 2020

ERP or Enterprise Resource Planning means a computer software or system used to manage all the resources of an organization centralized system/cross-functional software. The various types of modules are :

1. Human Resource Module : It helps the HR team in the efficient management of human resources and to manage employee information, track employee records, time and attendance, payroll, etc.
2. Inventory Module : It can be used to track the stock of items. Items can be identified by unique serial numbers. It includes functionalities like inventory control, master units, etc.
3. Sales Module : It includes a typical sales process like sales queries and enquiry, analysis, quotation, drafting, dispatch of shipment of material, etc.
4. Purchase Module : It includes all the processes that are part of procurement of items or raw materials that are required for an organization.
5. Finance and Accounting Module : Inflow and outflow of money or capital is managed by the finance module. It helps to keep track of all accounts-related transactions.
6. Customer Relationship Management Module : It helps to boost the sales performance through better customer service and establishing healthy relationships with customers.
7. Engineering and Production Module : It is a great help to the manufacturing industry for delivering products. This module consists of functionalities like production, planning, raw material, usage, etc.
8. Supply Chain Management : SCM module manages the flow of product items from manufacturer to consumer and consumer to manufacturer.

262. Briefly discuss any five advantages of E-commerce over traditional methods of transaction.

Ans : SQP 2019

Advantages of E-Commerce :

1. Better service quality
2. Reduced service costs
3. Increased revenues
4. Reduced time to complete a transaction
5. Reduced administration costs
6. Increased return on investment
7. Reduced paperwork
8. Convenience for the buyer and seller.

263. Explain the key features of the Consumer Protection Act, 2019.

Ans : COMP 2016

The Consumer Protection Act, 2019, includes the following key features :

1. Establishment of the Central Consumer Protection Authority (CCPA) : The CCPA protects, promotes, and enforces the rights of consumers. It can take action against unfair trade practices and misleading advertisements.
2. Consumer Disputes Redressal Commissions (CDRCs) : These commissions operate at the district, state, and national levels to handle complaints related to overcharging, defective goods, or unsafe services.

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3. Prohibition and Penalties for Misleading Advertisements : The Act imposes penalties on manufacturers and endorsers for false or misleading claims, with fines up to ₹50 lakh and imprisonment.
4. Consumer Rights : The Act guarantees six rights, including the Right to Be Informed, Right to Be Heard, and Right to Seek Redressal.
5. Easier Filing of Complaints : Consumers can file complaints electronically and do not need to hire a lawyer to represent them.

264. Discuss the objectives of pricing and how they impact businesses.

Ans : MAIN 2013

The objectives of pricing include :
1. Maximizing Profit : Businesses set prices to achieve the highest possible return on investment.
2. Increasing Market Share : Competitive pricing helps attract more customers and expand market presence.
3. Ensuring Price Stability : Stable pricing avoids confusion and builds customer trust over time.
4. Meeting Competition : Businesses adjust prices to stay competitive in the market.
5. Achieving Growth : Reasonable pricing enables businesses to grow by maintaining a balance between affordability and profitability.

265. Explain the main features of marketing with examples.

Ans : SQP 2021

The main features of marketing are :
1. Identification of Needs and Wants : Marketing identifies what customers need and want. Example : Surveys to determine demand for electric vehicles.
2. Creation of Market Offerings : Businesses develop products or services to satisfy customer needs. Example : Launching eco-friendly packaging.
3. Customer Value : Marketing focuses on delivering value to customers. Example : Offering warranties and after-sales service.
4. Exchange Mechanism : Marketing facilitates the exchange of goods and services. Example : Online platforms enabling easy buying and selling.
5. Formulation of Policies : Marketing involves strategic decisions about pricing, promotion, and distribution. Example : Setting competitive prices for a new product.

266. Discuss the key characteristics of services with examples.

Ans : COMP 2010

The key characteristics of services are :
1. Intangibility : Services cannot be seen or touched. Example : Consulting services.
2. Inseparability : Services are produced and consumed simultaneously. Example : A haircut.
3. Perishability : Services cannot be stored for later use. Example : Airline seats.
4. Variability : The quality of services may vary depending on the provider. Example : Restaurant service.
5. Special Pricing Tactics : Services require unique pricing strategies based on demand and competition. Example : Surge pricing in ride-sharing apps.

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267. Why is consumer awareness important, and how does it benefit society?

Ans : MAIN 2014

Consumer awareness is important because :
1. Protection Against Exploitation : It safeguards consumers from unfair trade practices like adulteration and overcharging.
2. Informed Decision-Making : Awareness enables consumers to choose products based on accurate information.
3. Reduces Harmful Consumption : Educated consumers avoid unsafe or harmful products.
4. Encourages Ethical Business Practices : Businesses are motivated to maintain transparency and quality.
5. Promotes a Healthy Society : A well-informed consumer base contributes to social and economic development.

268. What are the benefits of e-commerce over traditional commerce?

Ans : SQP 2011

1. Convenience : Consumers can shop from anywhere at any time.
2. Global Reach : E-commerce allows businesses to sell products internationally without geographical barriers.

3. Lower Investment Requirements : No need for physical stores reduces costs.
4. Paperless Transactions : E-commerce promotes efficient digital payment systems.
5. Speed of Transactions : Orders and payments are processed faster compared to traditional methods.

269. Explain the role of Consumer Disputes Redressal Commissions (CDRCs) under the Consumer Protection Act, 2019.

Ans : COMP 2019

1. District CDRCs : Handle complaints involving claims up to ₹1 crore.
2. State CDRCs : Address claims between ₹1 crore and ₹10 crore.
3. National CDRC : Deals with claims exceeding ₹10 crore.
4. Jurisdiction : Entertains complaints related to defective goods, unfair trade practices, overcharging, and hazardous goods or services.
5. Appeals Process : Provides consumers the option to appeal decisions at higher levels.

270. What are the key characteristics of a product?

Ans : MAIN 2005

1. Tangible and Intangible Attributes : Products include physical features (size, color) and intangible elements (brand value, warranty).
2. Packaging and Branding : Products are designed to appeal visually and ensure functionality.
3. Media of Communication : Products convey messages through advertisements, labels, and manuals.
4. Associated Services : Products often come with after-sales services like warranties or maintenance.
5. Life Cycle : Products go through introduction, growth, maturity, and decline stages.

271. What are the objectives of advertising?

Ans : SQP 2000

1. To Introduce New Products : Advertising creates awareness about new product launches.
2. To Induce Potential Customers : It encourages customers to purchase products.
3. To Create Brand Image : Advertising helps establish a positive perception of the brand.
4. To Highlight Product Features : It informs customers about the product's benefits and uses.
5. To Support Dealers : Advertising boosts the visibility of products, increasing dealer sales.

272. What are some types of consumer exploitation? Provide examples.

Ans : COMP 2006

1. Overcharging : Charging higher prices than MRP. Example : Selling bottled water at double the price.
2. Adulteration : Mixing inferior substances to increase profit. Example : Adding water to milk.
3. Under-weighing : Providing less quantity than promised. Example : Selling 900g as 1kg.
4. Misleading Advertisements : Making false claims. Example : Promising "instant weight loss" with a product.
5. Incomplete Information : Hiding crucial product details. Example : Not disclosing harmful side effects.

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273. Explain sales promotion and provide examples of techniques used.

Ans : MAIN 2018

Sales promotion involves short-term incentives to boost immediate purchases.

1. Discount Offers : Offering price reductions, e.g., "20% off on electronics."
2. Free Samples : Distributing product samples to attract customers.
3. Loyalty Programs : Rewarding repeat customers, e.g., points for purchases.
4. Contests : Engaging customers through competitions.
5. Cashback Offers : Providing a refund on a portion of the purchase amount.

274. Why is consumer awareness important, and how does it benefit consumers?

Ans : SQP 2003

1. Protection Against Exploitation : Educates consumers about unethical practices like adulteration and overcharging.
2. Informed Choices : Enables consumers to compare products and select the best option.

3. Right to Redressal : Awareness empowers consumers to seek justice for grievances.
4. Encourages Ethical Business Practices : Businesses are motivated to maintain transparency and quality.
5. Promotes a Healthy Society : Informed consumers contribute to better economic and social outcomes.

275. What are the unique characteristics of services?

Ans : COMP 2004

1. Intangibility : Services cannot be seen or touched. Example : Consulting services.
2. Inseparability : Services are produced and consumed simultaneously. Example : A doctor's consultation.
3. Perishability : Services cannot be stored for later use. Example : Hotel room bookings.
4. Variability : Service quality depends on the provider and situation. Example : Customer service at a restaurant.
5. No Ownership Transfer : Services do not result in ownership. Example : Renting a car.

276. Explain the major objectives of pricing in business.

Ans : MAIN 2009

1. Maximizing Profit : Setting prices to achieve the highest return on investment.
2. Increasing Market Share : Competitive pricing to attract more customers.
3. Ensuring Price Stability : Maintaining consistent pricing to build trust.
4. Meeting Competition : Adjusting prices to remain competitive in the market.
5. Encouraging Growth : Pricing strategies that promote long-term business expansion.

277. What is the Principle of Utmost Good Faith, and why is it important?

Ans : SQP 2001

The Principle of Utmost Good Faith requires both the insurer and the insured to disclose all material facts truthfully when entering into an insurance contract.

1. For the Insurer : Helps in assessing risk accurately.
2. For the Insured : Ensures fair claim settlement.
3. Prevents Misrepresentation : Reduces the risk of disputes and fraud.
4. Maintains Trust : Establishes a transparent relationship between both parties.

278. Explain the six rights provided to consumers under the Consumer Protection Act, 2019.

Ans : COMP 2012

The six consumer rights are :

1. Right to Be Protected : Safeguards against goods and services hazardous to life and property.
2. Right to Be Informed : Ensures consumers receive accurate and adequate information about products and services.
3. Right to Choose : Guarantees access to a variety of goods and services at competitive prices.
4. Right to Be Heard : Provides the ability to file complaints and have grievances addressed.
5. Right to Seek Redressal : Enables compensation or relief for defective goods, unfair trade practices, or services.
6. Right to Consumer Awareness : Promotes the need to be an informed and responsible consumer.

279. What are the penalties for misleading advertisements under the Consumer Protection Act, 2019?

Ans : MAIN 2015

1. Fines : A penalty of up to ₹50 lakh can be imposed on manufacturers or endorsers of misleading advertisements.
2. Imprisonment : The responsible parties may face imprisonment of up to 2 years for the first offense and up to 5 years for repeated offenses.
3. Endorser Responsibility : Endorsers are held accountable for ensuring the validity of claims made in advertisements.
4. Cease and Desist Orders : Authorities can order the advertiser to stop publishing misleading advertisements immediately.

CASE BASED QUESTION

280. GreenField Pvt. Ltd., an FMCG company, plans to launch an organic face cream targeting young adults (18–35). The product highlights include natural ingredients, no harmful chemicals, and cruelty-free testing. The marketing team aims to use traditional and digital marketing, including social media ads and trial packs, to attract customers.

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The company faces competition from established brands and needs to price the product competitively while maintaining profitability. Their goal is to create demand, build goodwill, and penetrate the market effectively.

1. What marketing objectives should GreenField Pvt. Ltd. prioritize for the launch of its organic face cream?
2. What pricing strategy should GreenField adopt to ensure the product's success?

Ans :

1. GreenField should :
   (i) Create demand by promoting the product's eco-friendly and natural features.
   (ii) Build goodwill by emphasizing sustainability and cruelty-free practices.
   (iii) Enhance market share through targeted digital and traditional marketing.
   (iv) Facilitate growth with introductory discounts and trial packs.
2. GreenField should use penetration pricing, offering the product at a lower initial price to attract customers and compete with established brands. The price can be gradually increased as the product gains recognition.

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281. Scenario : Mr. Sharma bought an air purifier online from a reputed company. After using it for a week, he realized it did not perform as advertised and failed to purify the air effectively. When he contacted customer service, they refused to assist, stating the product could not be returned.

1. Which consumer right can Mr. Sharma invoke in this situation?
2. What authority can Mr. Sharma approach to resolve his complaint?

Ans :

1. Mr. Sharma can invoke the Right to Seek Redressal, as he is entitled to relief or compensation against a defective product or unsatisfactory service under the Consumer Protection Act, 2019.
2. Mr. Sharma can approach the Consumer Disputes Redressal Commission (CDRC) at the district level to file a complaint about the defective product and lack of service.

282. Scenario : A new fitness supplement company advertises its product claiming, "Lose 10 kilograms in just one week without any effort!" However, customers who tried the product found no such results and demanded a refund.

1. What kind of advertisement is being displayed in this scenario?
2. What action can be taken against the company under the Consumer Protection Act, 2019?

Ans :

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1. This is an example of a misleading advertisement, as the product does not deliver on the claims made in the advertisement.
2. The company can be penalized under the provision for Prohibition and Penalty for Misleading Advertisement, which includes fines and imprisonment for false or deceptive claims.

283. Scenario : A local grocery store increases the price of essential items like rice and wheat during a festival season, claiming high demand. However, customers find the price hike unjustified as neighboring stores sell the same items at regular prices.

1. Which consumer exploitation practice is being observed here?
2. How can consumers protect themselves from such exploitation?

Ans :

1. The practice being observed is Overcharging, which is an unfair trade practice.
2. Consumers can invoke their Right to be Protected under the Consumer Protection Act, ensuring protection against unfair trade practices such as overcharging.

284. Scenario : Ms. Priya ordered a mobile phone from an e-commerce website. When she received the delivery, she noticed that the phone was a refurbished model instead of the new one that was advertised.

1. What kind of consumer issue is Ms. Priya facing in this scenario?
2. What should Ms. Priya do to resolve this issue?

Ans :

1. Ms. Priya is facing Incomplete Information or a deceptive practice, as the website did not clearly disclose the product condition.

2. Ms. Priya should invoke her Right to Be Informed and file a complaint with the e-commerce platform. If unresolved, she can escalate the issue to the Consumer Disputes Redressal Commission.

285. Scenario : Mr. Anil purchases a packet of cooking oil without checking the manufacturing date or quality certification. Later, he realizes that the oil is expired and unsuitable for consumption.
1. Which responsibility of the consumer did Mr. Anil fail to follow?
2. How could Mr. Anil prevent such an issue in the future?

Ans :

1. Mr. Anil failed to follow the responsibility of reading labels carefully to ensure the product's quality and validity.
2. Mr. Anil should ensure quality certification marks and carefully check the manufacturing and expiry dates before making a purchase.

286. Scenario : A store announces a "Flat 50% Off" on all items during a clearance sale but increases the price of products just before the sale begins. Customers find that the discounts are misleading.
1. What type of consumer exploitation is demonstrated here?
2. What can consumers do in such situations?

Ans :

1. This is an example of misleading advertising and unfair trade practices.
2. Consumers can file a complaint under the Consumer Protection Act, 2019, citing deceptive pricing practices.

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287. Scenario : Ms. Ritu orders a pair of branded shoes from an e-commerce platform. Upon delivery, she discovers that the shoes are counterfeit and not the brand advertised.
1. Which issue is Ms. Ritu facing in this case?
2. Which consumer right can she exercise to resolve this issue?

Ans :

1. Ms. Ritu is facing consumer exploitation through counterfeit products.
2. Ms. Ritu can exercise her Right to Seek Redressal by filing a complaint against the seller for delivering counterfeit products.

288. Scenario : A celebrity endorses a beauty product in an advertisement. However, the product causes skin issues for several customers, and they demand action against the company and the celebrity.
1. Under the Consumer Protection Act, who can be held responsible for misleading advertisements?
2. What penalties can be imposed for misleading advertisements?

Ans :

1. Both the manufacturer and the celebrity endorser can be held responsible for misleading advertisements.
2. The Central Consumer Protection Authority (CCPA) can impose fines of up to ₹50 lakh and imprisonment of up to 2 years, extendable to 5 years for repeated offenses.

289. Scenario : A bakery sells bread at ₹50 per loaf but charges ₹60 for the same loaf on holidays, citing high demand.
1. Which consumer protection right is being violated here?
2. What should consumers do in such cases?

Ans :

1. The Right to be Protected is being violated, as consumers are subjected to unfair pricing.
2. Consumers can report this as an unfair trade practice to the local consumer court or redressal forum.

290. Scenario : A travel agency promises a luxury vacation package but provides substandard accommodations and poor service. Customers feel cheated.
1. Which characteristic of services is highlighted in this scenario?
2. What action can customers take?

Ans :

1. The characteristic of variability is highlighted, as services can differ from what was promised.
2. Customers can seek compensation by filing a complaint under the Consumer Protection Act, 2019 for breach of service standards.

291. Scenario : Mr. Rohit enters his bank details on an e-commerce website without checking the website's security features. Later, his bank account is compromised.
1. What mistake did Mr. Rohit make?
2. What can be done to avoid such incidents?

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Ans :

1. Mr. Rohit failed to ensure e-security by not checking for secure payment methods and website authenticity.
2. Mr. Rohit should verify the website's SSL certificate (look for "https ://"), use secure payment gateways, and avoid sharing sensitive details on untrusted platforms.

292. Scenario : A grocery store sells pulses with excessive dust and stones, but customers do not notice until after purchase.
1. Which type of consumer exploitation is being practiced here?
2. What consumer right can be exercised in this case?

Ans :

1. This is an example of adulteration.
2. The Right to be Protected can be exercised to ensure protection against hazardous or adulterated goods.

293. Scenario : A company sends promotional emails about a discounted product to potential customers but includes no way to unsubscribe from the emails.
1. What unethical practice is being demonstrated here?
2. How can consumers handle such situations?

Ans :

1. The company is engaging in unsolicited and intrusive e-marketing practices.
2. Consumers can report the emails as spam and exercise their Right to Privacy by demanding a stop to unsolicited communications.

294. Scenario : A manufacturing company uses an outdated inventory system, leading to frequent stock shortages and delays in order processing. To address this, they implement an ERP system.
1. Which ERP module is most relevant to solving the company's issues?
2. What is the main advantage of using ERP in such cases?

Ans :

1. The Inventory and Supply Chain Management modules are most relevant for addressing stock and order processing issues.
2. The main advantage is real-time data integration, which ensures accurate stock management and smoother operations across departments.

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295. Scenario : Ms. Neha purchased a refrigerator that claimed to have a five-star energy rating. However, after installation, she noticed a significant increase in her electricity bill and suspected that the claim was false.
1. Which consumer right is violated in this situation?
2. What action can Ms. Neha take?

Ans :

1. The Right to Be Informed is violated, as Ms. Neha was not provided with accurate and adequate information about the product's energy efficiency.
2. Ms. Neha can file a complaint with the Consumer Disputes Redressal Commission for false claims made by the manufacturer.

296. Scenario : A coffee brand launches a new flavor targeting young professionals and offers free coffee samples in offices to introduce the product.
1. What marketing feature is highlighted in this scenario?
2. How does this strategy help the company?

Ans :

1. The feature of Customer Value is highlighted, as the brand is offering free samples to demonstrate the value of their product to potential customers.
2. This strategy helps the company by creating awareness, building trust, and encouraging customers to purchase the product after experiencing its value.

297. Scenario : A customer purchases a broadband internet connection from a service provider. However, the internet speed often fluctuates, and the provider fails to resolve the issue despite repeated complaints.
1. Which characteristic of services is being demonstrated in this scenario?
2. What principle can the service provider implement to address this issue?

Ans :

1. The characteristic of variability is demonstrated, as the quality of the internet service is inconsistent.
2. The provider can implement service quality control measures to ensure consistent delivery and address customer grievances more effectively.

298. Scenario : Mr. Arun buys a bottle of cough syrup without checking the instructions on the label. He consumes the syrup in higher doses than recommended and experiences side effects.

1. Which consumer responsibility is ignored by Mr. Arun?
2. What can Mr. Arun do to prevent similar incidents in the future?

Ans :

1. Mr. Arun ignored the responsibility to read labels carefully before using the product.
2. Mr. Arun should always check product labels for dosage instructions, warnings, and other essential details before use.

299. Scenario : A cosmetics brand launches a loyalty program where customers earn points for every purchase, which can be redeemed for discounts or free products in the future.

1. What type of sales promotion is demonstrated in this scenario?
2. How does this benefit the company?

Ans :

1. The sales promotion tactic is a loyalty program, designed to encourage repeat purchases by rewarding customer loyalty.
2. This benefits the company by building long-term relationships with customers, increasing customer retention, and driving sales through repeat purchases.

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CHAPTER 3

FINANCE AND ACCOUNTING

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SUMMARY

1. CAPITAL RECEIPTS

Capital receipts refer to the income a company receives that is typically non-recurring in nature. These receipts are generally associated with financing and investing activities rather than the company's regular operating activities. Capital receipts either decrease an asset or increase a liability.

Examples :Debentures or bonds, Loans, Insurance claims, Cash from the sale of fixed assets , Amount obtained from the issuance of shares Additional capital introduced by the proprietor, etc.

2. REVENUE RECEIPTS

Revenue receipts are the income generated from a company's core business activities. These receipts are a part of routine business operations and recur regularly. However, their benefits are limited to the current accounting year, as they have a short-term impact. Revenue receipts arise from the daily activities of the business and encompass all operations that contribute to cash inflow.

Examples : Receipts from the sale of goods and services, Interest earned ,Commission received Rent received, Bad debts recovered , Dividends received, etc.

3. CAPITAL EXPENDITURE

Capital expenditure refers to spending that leads to the acquisition of permanent assets intended for long-term use in the business to generate revenue. Such expenditures are non-recurring in nature. The assets acquired through these expenditures are utilized over an extended period, contributing to the business's revenue generation..

Examples : Purchases of property, equipment, land, computers, furniture, and software, etc.

4. REVENUE EXPENDITURE

Revenue expenditures refer to the costs incurred in the daily operations and administration of a business, with their effects being fully utilized within the current accounting year. These expenditures are recurring in nature, meaning they are incurred to meet the routine needs of the business. Their impact is short-term, and the benefits derived from such expenditures are confined to the same accounting year.

Examples : Purchases of goods, salaries paid, postage, rent, travel expenses, stationery purchased, wages paid, goods purchased, etc.

5. CAPITAL PROFIT

Capital profit is a profit which is earned on the sale of a fixed asset or profit earned on raising capital for a company. This is not a regular profit of the business and is not earned in the ordinary trade of the business.

6. REVENUE PROFITS

This is a profit which is earned during the ordinary course of business, e.g., profit on the sale of goods, rent received, interest received, etc.

7. CAPITAL LOSS

This is a loss suffered by a business on the sale of a fixed asset or it is incurred on raising capital of a joint stock company. This is not a recurring loss and is not made in the ordinary course of the business.

8. REVENUE LOSS

This loss is made in the ordinary course or day-to-day operation of a business, such as on the sale of goods, etc. Revenue loss appears in the profit and loss account or income statement in the year in which it occurs.

9. DEFERRED REVENUE EXPENDITURE

It is an expenditure that is incurred in the current accounting period, but its benefits are incurred in the following or the future accounting periods.

10. ACCOUNTING

It is the process of recording, assessing, and communicating financial transactions.

11. OPERATING EXPENSES

Operating expenses are the result of a business's normal operations, such as materials, labour, and machinery involved in production.

12. OVERHEAD EXPENSES

Overhead expenses are what it costs to run the business, including rent, insurance, and utilities.

13. DIRECT EXPENSES

These types of expenses are mostly incurred through the production process. The most common direct expenses include :

1. Direct wages
2. Freight charge
3. Import duty
4. Commission
5. Rent
6. Legal expenses
7. Electricity cost

14. INDIRECT EXPENSES

These expenses pertain to the sale and distribution of finished goods or services. They include :

1. Selling salaries
2. Repairs
3. Interest
4. Commission
5. Depreciation
6. Rent
7. Taxes

15. DIRECT TAXES

Direct taxes are levied on the incomes of individuals and corporations.
Examples : Income tax, corporate tax, etc.

16. INDIRECT TAXES

Indirect taxes are paid by consumers when they buy goods and services.
Examples : Excise duty, customs duty, etc.

17. FINAL ACCOUNTS

Every businessman wants to know whether he has earned a profit or suffered a loss during the accounting period and what is the financial position of the business at the end of said accounting period. To obtain this information, final accounts are prepared, which include Trading Account, Profit & Loss Account, and Balance Sheet.

18. FINAL ACCOUNTS

Final accounts provide insight into whether a business has earned a profit or suffered a loss during the accounting period and its financial position at the end of that period. Final accounts include the Trading Account, Profit & Loss Account, and Balance Sheet.

18.1 Trading Account

Summarizes transactions related to goods and determines the gross profit or loss.

18.2 Profit & Loss Account

Shows the net result of operations during the financial period by accounting for indirect gains and expenses.

18.3 Balance Sheet

Measures the financial position of a business on a specific date, ensuring assets equal liabilities and capital.

18.4 Marshalling of Balance Sheet

Assets and liabilities in the Balance Sheet are arranged either in order of liquidity or permanence..

19. COST

Cost refers to the "price paid for something." It encompasses the total expenditure incurred by a company to create goods or services, excluding profit markup.

19.1 Seller's Perspective of Cost

Cost is the expenditure to produce a good. Selling at cost results in no profit or loss.

19.2 Buyer's Perspective of Cost

Cost is the price charged by the seller, including production cost and markup.

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20. ELEMENTS OF COST

The elements of cost include Material, Labour, and Overheads, each classified into Direct and Indirect categories.

1. Material refers to the physical inputs in production. Direct Material is traceable to the product (e.g., wood in furniture), while Indirect Material supports production but is not directly identifiable (e.g., lubricants).
2. Labour involves human effort in production. Direct Labour directly contributes to manufacturing (e.g., machine operators), while Indirect Labour supports the process (e.g., supervisors).
3. Overheads are indirect costs, including Factory Overheads (e.g., rent, machinery depreciation), Administrative Overheads (e.g., office expenses), and Selling and Distribution Overheads (e.g., advertising, sales commission).

All these three elements are further divided into two categories, namely Direct and Indirect.

21. COMPONENTS OF TOTAL COST

The total cost of production is composed of the following components :

1. Prime Cost : The direct cost of production, including direct material, direct labour, and direct expenses.
2. Factory Cost : The cost incurred within the factory, which includes prime cost and factory overheads like machinery depreciation and factory rent.
3. Office Cost : The total cost of production plus administrative overheads, such as salaries of office staff and office supplies.
4. Selling and Distribution Cost : Expenses incurred in marketing, selling, and delivering the product, such as advertising, sales commission, and transportation.

22. COST BEHAVIOUR

Costs respond differently to changes in business activity. This response is referred to as cost behaviour. Managers must predict how costs will change with fluctuations in business activity to make informed decisions.

Costs are classified into the following categories based on their behaviour :

1. Variable Costs : Change directly with the level of business activity (e.g., raw materials).
2. Fixed Costs : Remain constant regardless of business activity levels (e.g., rent, salaries).
3. Mixed Costs : Contain elements of both fixed and variable costs (e.g., utility bills with a base charge and usage-based charge).
4. Direct Cost : A cost that is easily attributable to a cost object is known as direct cost.
5. Indirect Cost : Indirect cost is defined as the cost that cannot be allocated to a particular cost object.

23. BUDGET

A budget is a financial forecast estimating future receipts and payments, prepared to achieve specific objectives.

24. DEFINITION (CIMA TERMINOLOGY)

"Budget is a plan quantified in monetary terms, prepared and approved prior to a defined period of time, usually showing planned income to be generated and/or expenditure to be incurred during that period and the capital to be employed to attain a given objective."

25. TYPES OF BUDGETS

Budgets are classified into the following types :

1. Sales Budget : Estimates future sales revenue.
2. Production Budget : Projects production costs based on planned output.
3. Cash Budget : Plans cash inflows and outflows.
4. Purchase Budget : Forecasts costs of materials to be purchased.
5. Master Budget : Combines all individual budgets into a comprehensive plan.

26. UTILITY OF BUDGETING

1. Higher Efficiency : Encourages optimal resource allocation.
2. Sound Planning : Assists in systematic financial preparation.
3. Sense of Responsibility : Provides clear targets for employees.
4. Source of Motivation : Inspires employees to meet goals.
5. Coordination : Aligns departmental activities for smooth functioning.
6. Delegation of Authority : Empowers managers with decision-making responsibilities.
7. Effective Control : Enables monitoring and evaluation of performance.

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27. SOURCE OF FINANCE

Provides long-term funds through the Primary Market (new issues) and Secondary Market (existing securities).

28. CAPITAL MARKET

It consists of all organisations, institutions, and instruments that provide long-term funds. It consists of two major components, i.e., Primary or New Issue Market, and Secondary Market or

29. STOCK EXCHANGE

The term capital market refers to facilities and institutional arrangements through which long-term funds, both debt and equity, are raised and invested.

It consists of a series of channels through which savings of the community are made available for industrial and commercial enterprises and for the public in general.

It directs these savings into their most productive use, leading to growth and development of the economy. The capital market consists of development banks, commercial banks, and stock exchanges.

30. PRIMARY MARKET

The primary market is also known as the new issues market. It deals with new securities being issued for the first time. The essential function of a primary market is to facilitate the transfer of funds from savers to entrepreneurs seeking to establish new enterprises or to expand existing ones through the issue of securities for the first time.

31. SECONDARY MARKET

The secondary market is also known as the stock market or stock exchange. It is a market for the purchase and sale of existing securities. It helps existing investors to disinvest and fresh investors to enter the market. It also provides liquidity and marketability to existing securities.

32. FUNCTIONS OF CAPITAL MARKET

Capital Market performs the following functions :

1. Promotion of Thrift
2. Investment Avenue
3. Liquidity
4. Availability of Capital
5. Ready Market
6. Transfer of Funds
7. Balance between Demand and Supply
8. Stability
9. Capital Formation

33. SOURCES FOR RAISING CAPITAL

These are classified into :

1. Long-Term Finance : Includes those sources which are required by the business firms for a period exceeding 5 years. It consists of equity share capital, preference share capital, and debentures.
2. Short-Term Finance : Includes those sources of finance which are required by the business firms for a period of less than 5 years. It consists of loans from commercial banks, cash credit, bank overdraft, discounting of bills, etc.

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34. SHARE CAPITAL

The amount of capital to be raised from members of the public is divided into units of equal value. These units are known as shares, and the aggregate value of shares is known as share capital of the company. The two types of shares are :

1. Equity Shares : Those shares which do not carry any special or preferential rights in the payment of annual dividend or repayment of capital are equity shares.
2. Preference Shares : Shares which carry certain preferential or priority rights in the repayment of capital or dividend over other types of shares are called preference shares.

35. DEBENTURES

It is a document or certificate issued by a company under its seal as an acknowledgment of its debt.

36. LOANS FROM COMMERCIAL BANKS

Business firms can raise finance from commercial banks in the following ways :

1. Cash Credit : It is a formal and revolving credit agreement under which the borrower is allowed to borrow up to the specified limit.
2. Overdraft : It is a kind of temporary financial accommodation extended by a bank to its regular customers.
3. Discounting of Bills of Exchange : This implies procuring cash from a bank in exchange for credit instruments like bills of exchange, promissory notes, or hundis.

MULTIPLE CHOICE QUESTION

1. Rent received and commission received are examples of :
(a) Capital Expenditure
(b) Revenue Expenditure
(c) Capital Receipts
(d) Revenue Receipts

Ans : MAIN 2024

(d) Revenue Receipts
Rent received and commission received are examples of revenue receipts. Revenue receipts are the receipts, which are recurring in nature.

2. _____ involves creation of liability and is shown on the liabilities side of the Balance Sheet.
(a) Capital Expenditure
(b) Revenue Expenditure
(c) Capital Receipts
(d) Revenue Receipts

Ans : SQP 2023

(c) Capital Receipts
Capital receipts are a non-recurring incoming cash flow into the business, which leads to the creation of liability and a decrease in company assets.

3. _____ Expenditure is incurred for meeting day-to-day expenses of business and its benefit is exhausted within the current accounting year.
(a) Capital
(b) Revenue
(c) Deferred Revenue
(d) Capital Receipts

Ans : COMP 2022

(b) Revenue
Revenue expenditure can be easily defined as the costs incurred for the day-to-day expenses of carrying on the functions of business such as rent, wages, stationery, insurance, etc. Revenue Expenditure is an expense in the Profit and Loss account. The expenses which are incurred by the organization in setting the fixed assets in proper condition by maintenance and restoration activities are termed as Revenue Expenditures.

4. The accounting treatment for Revenue expenditure like rent paid, insurance etc. is :
(a) Income in Trading and Profit and Loss account
(b) Expense in Trading and Profit and Loss account
(c) Asset in the Balance sheet
(d) Liability in the Balance sheet

Ans : MAIN 2020

(b) Expense in Trading and Profit and Loss account
Revenue expenditure is treated as an expense for the current year and is shown in the trading and profit and loss account. For example, rent paid by the __.

5. _____ is an example of Capital Expenditure.
(a) Purchase of a machine
(b) Cleaning and greasing office fans
(c) Goods purchased for resale
(d) Money paid as taxes

Ans : SQP 2007

(a) Purchase of a machine
Purchase of machinery is a capital expenditure because capital expenditure refers to the expenditure incurred for an asset that is expected to provide utility to a business for more than one accounting year.

6. Heavy advertising expenses, heavy repairs, expenditure to move the business to a more convenient location are examples of _____.
(a) Capital expenditure
(b) Revenue expenditure
(c) Deferred revenue expenditure
(d) Capital receipts

Ans : COMP 2016

(c) Deferred revenue expenditure
Heavy expenses, heavy repairs, and expenditure to move the business to a convenient location are examples of deferred revenue expenditure. It is the expenditure incurred during the accounting period, but its benefits are obtained over multiple years in the future.

7. _____ are the income received by the company which is non-recurring in nature.
(a) Capital receipts
(b) Revenue receipts
(c) Capital expenditure
(d) Revenue expenditure

Ans : MAIN 2013

(a) Capital receipts
Capital receipts are the part of financing and investing activities rather than operating

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activities. Revenue receipts are the receipts from day-to-day transactions. The other two options are the expenditures.

8. _____ profit is a profit which is earned on the sale of a fixed asset or profit earned on raising capital for a company.
(a) Capital
(b) Revenue
(c) Gross
(d) Net

Ans : SQP 2021

(a) Capital
Capital profit is not a regular profit of the business and is not earned in the ordinary trade of the business. Revenue profit is a profit which is earned during the ordinary course of business. Gross profit is the profit after deducting direct expenses from the revenue. Net profit is the profit after deducting indirect expenses from the gross profit.

9. Payments received in advance for services which have not yet been performed or goods which have not yet been delivered are called _____.
(a) Capital expenditure
(b) Revenue expenditure
(c) Deferred Revenue expenditure
(d) None of the above

Ans : COMP 2010

(c) Deferred Revenue expenditure
Deferred revenue expenditure are the advance payments received from the customers. They are treated as liabilities since the goods and/or services are not yet provided to the customers but the amount is received.

10. Revenue expenditure is shown in the _____ as an expense.
(a) trading account or profit and loss account
(b) Balance Sheet
(c) Auditor's report
(d) Director's report

Ans : MAIN 2014

(a) trading account or profit and loss account
Revenue expenditure is shown in the trading account or profit and loss account. The balance sheet shows the total assets and total liabilities of the organization. Auditor's report and Director's report are not used to record expenses

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11. The benefit of _____ extends to more than one accounting cycle or period.
(a) Revenue expenditure
(b) Capital expenditure
(c) Revenue receipts
(d) None of the above

Ans : SQP 2011

(b) Capital expenditure
The amount spent on an expenditure that is capital in nature has its benefits for more than one accounting period. For example, buying an asset like property, machinery, vehicle, etc., which in normal circumstances are not disposed of in less than one year. The benefits of revenue expenditure are for one year or lesser than that.

12. _____ leads to an increase in the value of fixed assets.
(a) Revenue expenditure
(b) Capital receipts
(c) Capital expenditure
(d) Revenue receipts

Ans : COMP 2019

(c) Capital expenditure
Capital expenditure leads to an increase in the value of fixed assets. It may create a new asset, extend the life of an asset, add a utility to the asset, or increase the efficiency of an asset for a longer period of time.

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13. The result of the trading account is the _____ and it is transferred to the Profit and Loss account.
(a) Gross Profit
(b) Net Profit
(c) Bills Receivable
(d) Bills Payable

Ans : MAIN 2005

(a) Gross Profit
The account which is prepared to determine the gross profit or gross loss of a business concern is called the trading account.

14. It is a summarized form of all transactions occurring during a trading period :
(a) Trading account
(b) Profit and loss account
(c) Rent account
(d) Insurance account

Ans : SQP 2006

(a) Trading account

Trading account is a summarized form of all transactions occurring during a trading period which have direct relation to the goods dealt in by the business.

15. _____ is an account which shows the net result of the operations of the enterprise during the financial period :
(a) Balance Sheet
(b) Drawings account
(c) Trading account
(d) Profit and loss account

Ans : COMP 2018

(d) Profit and loss account
By preparing a profit and loss account, we can determine the net profit or net loss earned by a business concern. Hence, it depicts the net results of the operating of the enterprise.

16. It is a statement prepared with a view to measure the exact financial position of a business on a certain fixed date.
(a) Trading account
(b) Profit and loss account
(c) Balance Sheet
(d) Cash flow statement

Ans : MAIN 2003

(c) Balance Sheet
Balance sheet is a statement which contains all the assets on one side and all the liabilities on the other side. It depicts the financial position of a business concern on a particular date.

17. A reduction in the value of an asset over time, due to wear and tear is known as :
(a) Appreciation
(b) Depreciation
(c) Devaluation
(d) Depletion

Ans : SQP 2004

(b) Depreciation
Depreciation is caused due to wear and tear of an asset. This reduces the value of an asset.

18. Financial statements include :
(a) Profit and Loss Account
(b) Balance Sheet
(c) Cash Flow Statement
(d) All of the above

Ans : COMP 2009

(d) All of the above
The three main aspects of financial statements are Profit and Loss A/C, Balance Sheet, and Cash Flow Statement.

19. Arrangement of assets and liabilities in the Balance Sheet is called _____ of Balance Sheet.
(a) Marshalling
(b) Closing
(c) Opening
(d) Auditing

Ans : MAIN 2001

(a) Marshalling
Marshalling of Balance Sheet refers to the arrangement of the assets and the liabilities in a systematic format.

20. A fiscal year consists of _____ consecutive months.
(a) 12
(b) 6
(c) 3
(d) 7

Ans : SQP 2012

(a) 12
A fiscal year is a 12-month period used by governments, businesses, and organizations for accounting and financial reporting. It may or may not align with the calendar year, depending on the organization's chosen fiscal year start and end dates.

21. A gross profit can be ascertained with the help of :
(a) Balance Sheet
(b) Cash Flow Statement
(c) Trading account
(d) Profit and Loss account

Ans : COMP 2002

(c) Trading account
A Trading Account is prepared to calculate the gross profit or gross loss of a business during a specific period. It summarizes the direct revenues (like sales) and direct expenses (like cost of goods sold) associated with business operations.

22. Balance of Profit & Loss Account is transferred to :
(a) Capital account
(b) Trading account
(c) Building account
(d) Salaries account

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Ans : MAIN 2015

(a) Capital account
The balance of the Profit & Loss Account (net profit or net loss) is transferred to the Capital Account in the case of sole proprietorships and partnerships. This reflects the adjustment of profits or losses to the owner's equity.

23. Final Accounts DO NOT include :
(a) Trading Account
(b) Profit & Loss Account
(c) Balance Sheet
(d) Trial Balance

Ans : SQP 2017

(d) Trial Balance
Trial balance is not an account or a statement to be shown as a part of Final Accounts. It is merely a list of balances. However, it is used to prepare final accounts.

24. The result of the trading account is the _____ and it is transferred to the Profit and Loss account.
(a) Gross Profit
(b) Net Profit
(c) Bills Receivable
(d) Bills Payable

Ans : MAIN 2024

(a) Gross Profit
The Trading Account calculates the Gross Profit or Gross Loss by comparing sales and cost of goods sold (COGS). This result is then transferred to the Profit and Loss Account, where indirect expenses and incomes are considered to determine the Net Profit or Net Loss.

25. Cost of sugar-cane in making sugar is an example of _____ cost.
(a) Direct
(b) Variable
(c) Indirect
(d) Semi-variable

Ans : MAIN 2022, 2021

(a) Direct
Direct costs are directly related to the production of a good.

26. 'Telephone expenses' is an example of _____ cost.
(a) Fixed
(b) Variable
(c) Semi-variable
(d) Direct

Ans : SQP 2022, 2021

(c) Semi-variable
Telephone expenses are an example of semi-variable costs. A customer receives a fixed charge each month for basic phone service, regardless of the usage. A semi-variable cost has a fixed component regardless of volume but the cost also increases as volume or usage increases.

27. Salary paid to a mill manager is an example of _____ cost.
(a) Direct
(b) Variable
(c) Fixed
(d) Semi-variable

Ans : COMP 2022, 2021

(c) Fixed
Salary paid to a mill manager is a fixed cost. Fixed costs are those costs of production which do not change with a change in output. These are the costs incurred on fixed factors, like rent of land and building, interest, salary, etc. Fixed costs are also called overhead costs or general costs because these are common for all units produced. These costs are also part of supplementary costs or indirect costs.

28. _____ Cost is activity-based. It increases with an increase in output.
(a) Fixed
(b) Variable
(c) Semi-variable
(d) Direct

Ans : MAIN 2022,. 2021

(b) Variable
The cost incurred on variable factors of production is known as variable cost. Variable cost is very much related to production and fluctuates with the fluctuation in production. In case of zero level of production, variable cost would also be zero. As the volume of production and output increases, variable costs also increase.

29. Costs like Rent, Insurance, etc., which do not change in spite of changes in the volume of output are _____ costs.
(a) Direct
(b) Indirect
(c) Fixed
(d) Variable

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Ans : COMP 2022, 2021

(c) Fixed
These are examples of fixed costs. Fixed costs are those costs of production which do not change with a change in output. These are the costs incurred on fixed factors, like rent of land and building, interest, salary, etc. Fixed costs are also called overhead costs or general costs because they remain constant irrespective of production levels.

30. Price paid for something refers to _____.
(a) Cost
(b) Revenue
(c) Profit
(d) Loss

Ans : SQP 2023

(a) Cost
Cost is the price paid for something. Cost denotes the amount of money that a company spends on the creation or production of goods or services. Revenue is the income generated from business transactions. If the gap between revenue and cost is positive, it is called profit, and if the same is negative, it is called loss.

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31. Which of these is NOT an element of cost?
(a) Material
(b) Labour
(c) Profit
(d) Overheads

Ans : COMP 2022

(c) Profit
Profit is not an element of cost. Cost + Profit = Revenue. Material, labour, and overheads are the elements of cost.

32. A cost that does not change, in total, with the change in activity is called _____ cost.
(a) Variable
(b) Fixed
(c) Semi-variable
(d) Direct

Ans : MAIN 2020

(b) Fixed
Fixed cost does not change with the changes in activities. Variable cost changes with the change in activity. Semi-variable cost partially changes with the change in activity. Direct cost is directly related to the production process.

33. Salary to office staff of a manufacturing firm is an example of _____ labour cost.
(a) Direct
(b) Indirect
(c) Prime
(d) Factory

Ans : SQP 2008

(b) Indirect
All the office-related expenses are indirect costs, including labour cost. Payment to the workers is directly involved in the factory's production process. Whereas payment to the office staff is not directly connected with the production process. Hence, it is an indirect cost.

34. Cost of depreciation is an example of _____.
(a) Direct cost
(b) Indirect cost
(c) Selling and distribution cost
(d) None of the above

Ans : COMP 2007

(b) Indirect cost
Depreciation is an indirect cost. It does not have a direct impact on the manufacturing/production cost. It cannot be a selling or distribution cost. It is a financial cost but can also be categorized under factory cost if depreciation is of factory machinery and office cost if depreciation is of the office equipment.

35. Match the following :

1.	Direct material	(i)	Office stationery
2.	Indirect material	(ii)	Raw material
3.	Direct labour	(iii)	Factory worker
4.	Indirect labour	(iv)	Office assistant

(a) 1 – i, 2 – ii, 3 – iii, 4 – iv
(b) 1 – ii, 2 – i, 3 – iv, 4 – iii
(c) 1 – iv, 2 – ii, 3 – iii, 4 – i
(d) 1 – ii, 2 – iii, 3 – i, 4 – iv

Ans : MAIN 2016

(b) 1 – ii, 2 – i, 3 – iv, 4 – iii

1.	Direct material	(ii)	Raw material
2.	Indirect material	(i)	Office stationery
3.	Direct labour	(iii)	Factory worker
4.	Indirect labour	(iv)	Office assistant

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36. _____ costs are also referred to as product costs.
(a) Manufacturing
(b) Non-manufacturing
(c) Fixed
(d) Indirect

Ans : SQP 2013

(a) Manufacturing
All costs related to the production of goods are called manufacturing costs. They are also referred to as product costs.

37. Electricity bill with minimum rental and additional charges as per unit consumption is an example of _____ cost.
(a) Semi-variable
(b) Fixed
(c) Variable
(d) None of the above

Ans : COMP 2021

(a) Semi-variable
Semi-variable costs are partially fixed like minimum rental and partially variable like per unit consumption charges of the electricity.

38. It is a formal statement of estimated income and expenses based on future plans and objectives :
(a) Budget
(b) Cash flow statement
(c) Income statement
(d) None of the above

Ans : MAIN 2010

(a) Budget
A budget is a formal statement of estimated income and expenses based on future plans and objectives.

39. Which one of these is a type of budget?
(a) Master budget
(b) Cash budget
(c) Production budget
(d) All of the above

Ans : MAIN 2014

(d) All of the above
Budgets consist of different types for different purposes. Some of them are Master budget, Cash budget, and Production budget.

40. Which one of these is NOT a utility of Budgeting?
(a) Source of motivation
(b) Lack of Coordination
(c) Delegation of authority
(d) Effective control

Ans : SQP 2011

(b) Lack of Coordination
Budgeting does not lack coordination. It rather enhances systematic coordination. One of the utilities of Budgeting is proper coordination.

41. _____ is a budget that is adaptable according to the changing requirements.
(a) Fixed budget
(b) Flexible budget
(c) Basic budget
(d) Current budget

Ans : COMP 2019

(b) Flexible budget
Flexible budget provides flexibility to get budgeted costs at any level of activity.

42. Which one of these is a limitation of Budgetary control :
(a) Inflexibility
(b) Time-consuming
(c) Expensive task
(d) All of the above

Ans : MAIN 2005

(d) All of the above
Budgetary control has certain limitations like inflexibility, time-consuming, and being an expensive task.

43. _____ is a preliminary step for budgeting. It ends with the forecast of likely events.
(a) Forecasting
(b) Budgeting
(c) Reporting
(d) Auditing

Ans : SQP 2017

(a) Forecasting
Before the actual budgeting starts, the management has to conduct preliminary forecasting.

44. It is a budget prepared to assist the purchase department in suitably planning :
(a) Materials budget
(b) Labour budget
(c) Selling expenses budget
(d) Administrative cost budget

Ans : COMP 2006

(a) Materials budget

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Materials budget is to assist the purchase department in suitably planning the purchases, fixing the maximum and minimum levels of materials, components, etc.

45. The _____ budget contains an estimate of the total volume of production week-wise, month-wise, and product-wise.
(a) Production
(b) Purchase
(c) Cash
(d) Sales

Ans : MAIN 2022, 2021

(a) Production
Production budget contains an estimate of the total volume of production for a specific period of time.

46. _____ market consists of all organizations, institutions and instruments that provide long-term funds.
(a) Money
(b) Goods
(c) Capital
(d) Services

Ans : MAIN 2022, 2021

(c) Capital
The term capital market refers to facilities and institutional arrangements through which long-term funds, both debt and equity are raised and invested.

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47. The capital of the company is divided into equal parts called _____.
(a) Debentures
(b) Shares
(c) Deposits
(d) Funds

Ans : SQP 2018

(b) Shares
The share capital is the most important requirement of a business. It is divided into a number of indivisible units of a fixed amount. These units are known as 'shares'.

48. _____ shares do not carry voting rights.
(a) Equity
(b) Preference
(c) Debentures
(d) Public deposits

Ans : COMP 2003

(b) Preference
Preference shares do not carry voting rights.

49. _____ deals with new securities being issued for the first time.
(a) Stock market
(b) Capital market
(c) Primary market
(d) Secondary market

Ans : MAIN 2004

(c) Primary market
Primary market, also known as the new issues market, deals with newly issued securities.

50. Secondary market is also known as _____.
(a) Stock market
(b) New Issues market
(c) Labour Market
(d) None of the above

Ans : SQP 2009

(a) Stock market
The secondary market is also known as the stock market or stock exchange.

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51. Which of these is a function of Capital Market?
(a) Capital formation
(b) Availability of Capital
(c) Ready Market
(d) All of the above

Ans : COMP 2001

(d) All of the above
Functions of Capital market include capital formation, availability of capital, and ready market.

52. These shares DO NOT carry any special or preferential rights in the payment of annual dividend or repayment of capital.
(a) Equity Shares
(b) Preference Shares
(c) Bonus Shares
(d) None of the above

Ans : MAIN 2012

(a) Equity Shares
Equity shares are not given preference while paying dividends or even while repaying of capital at the time of shutting down of the company.

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53. _____ is a document or certificate issued by a company under its seal as an acknowledgment of its debt.
(a) Equity share
(b) Preference share
(c) Cash credit
(d) Debenture

Ans : SQP 2002

(d) Debenture
A debenture is a legal acknowledgment given by the company to its debenture-holders for the debt taken.

54. Which one of these is an internal source of finance?
(a) Shares
(b) Retained earnings
(c) Debentures
(d) Loans

Ans : COMP 2015

(b) Retained earnings
Retained earnings are an internal source of finance whereas shares, debentures, and loans are the external sources of finance.

55. _____ shares are redeemable from the company after fixed period.
(a) Redeemable Preference shares
(b) Equity shares
(c) Non-redeemable Preference shares
(d) Bonus shares

Ans : MAIN 2024

(a) Redeemable Preference shares
Redeemable Preference shares can be redeemed from the company after a fixed period.

56. _____ refers to a facility in which a customer is allowed to overdraw his current account up to an agreed limit.
(a) Shares
(b) Debentures
(c) Overdraft
(d) Long-term loan

Ans : SQP 2023

(c) Overdraft
Overdraft is a facility provided to a current account holder by the bank to withdraw over and above the bank balance up to an agreed limit.

57. _____ holders get fixed rate of interest.
(a) Preference share
(b) Equity share
(c) Debenture
(d) Current account

Ans : COMP 2022

(c) Debenture
Debenture holders are entitled to receive a fixed rate of interest.

58. Full voting rights at the time of Annual General Meeting are enjoyed by :
(a) Preference shareholders
(b) Equity shareholders
(c) Debenture holders
(d) Bank Account holders

Ans : MAIN 2020

(b) Equity shareholders
Equity shareholders enjoy their full voting rights as they are the owners of the company.

59. _____ market consists of all organizations, institutions and instruments that provide long-term funds.
(a) Money
(b) Goods
(c) Capital
(d) Services

Ans : SQP 2008

(c) Capital
The term capital market refers to facilities and institutional arrangements through which long-term funds, both debt and equity are raised and invested.

60. The capital of the company is divided into equal parts called _____.
(a) Debentures
(b) Shares
(c) Deposits
(d) Funds

Ans : COMP 2007

(b) Shares
The share capital is the most important requirement of a business. It is divided into a number of indivisible units of a fixed amount. These units are known as 'shares'.

61. _____ shares do not carry voting rights.
(a) Equity
(b) Preference
(c) Debentures
(d) Public deposits

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Ans : MAIN 2016

(b) Preference
Preference shares give holders priority in dividends and liquidation but usually lack voting rights in general decisions. They may gain voting rights only in specific cases, like unpaid dividends. In contrast, equity shares carry voting rights, while debentures and public deposits, being debt instruments, do not.

62. Which of the following is a capital receipt?
(a) Salaries received
(b) Sale of fixed assets
(c) Interest earned
(d) Rent received

Ans : SQP 2013

(b) Sale of fixed assets
Capital receipts are non-recurring in nature and are primarily linked to financing or investing activities, rather than the regular operations of a business. The sale of fixed assets, such as machinery or buildings, generates income that is considered a capital receipt as it involves the disposal of a long-term asset. In contrast, salaries, interest, and rent received are part of a company's routine operations and are classified as revenue receipts, which are recurring and arise during the normal course of business.

63. What is the key characteristic of revenue receipts?
(a) Non-recurring and long-term impact
(b) Recurring and limited to the current accounting year
(c) Non-operational and extraordinary income
(d) Arise from the sale of fixed assets

Ans : COMP 2021

(b) Recurring and limited to the current accounting year
Revenue receipts represent income generated from the routine, day-to-day operations of a business, such as sales revenue or service income. These receipts are regular, recurring, and provide benefits only for the current accounting period, unlike capital receipts, which often have a long-term impact. Revenue receipts play a crucial role in covering the operational expenses of the business and contribute to the determination of net profit for the year.

64. Which of the following is an example of capital expenditure?
(a) Salaries paid
(b) Purchase of machinery
(c) Rent paid
(d) Travel expenses

Ans : MAIN 2010

(b) Purchase of machinery
Capital expenditure refers to the spending incurred to acquire long-term assets that are intended to generate revenue over multiple accounting periods. For instance, the purchase of machinery adds to the company's fixed assets and helps in production over several years, making it a capital expense. In contrast, salaries, rent, and travel expenses are operational costs that recur frequently and provide benefits confined to the current year, classifying them as revenue expenditures.

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65. What is deferred revenue expenditure?
(a) Expenditure incurred in the current period, benefiting future periods
(b) Expenditure incurred to acquire fixed assets
(c) Revenue expenditure that recurs every year
(d) Cost incurred to sell goods

Ans : SQP 2014

(a) Expenditure incurred in the current period, benefiting future periods
Deferred revenue expenditure involves costs that are paid in the current accounting period but are expected to yield benefits in subsequent years. For example, extensive advertising campaigns or research and development expenses may be recorded as deferred because their positive impact on the company's performance will be realized in the future. These costs are not fully charged to the current year's Profit and Loss Account but are amortized over the periods they benefit.

66. Which of the following is classified as a direct expense?
(a) Selling salaries
(b) Factory rent
(c) Advertising costs
(d) Administrative salaries

Ans : COMP 2011

(b) Factory rent
Direct expenses are those that are directly attributable to the production process or the creation of goods. Factory rent is a direct expense because it is a cost that directly supports the manufacturing activities within the factory premises. Other examples include direct wages, raw material costs, and utility expenses specific

to production. In contrast, selling salaries, advertising costs, and administrative salaries are considered indirect expenses as they are not directly linked to the manufacturing process but instead support other aspects of the business.

67. Which of the following best describes a capital market?
(a) A market for short-term funds
(b) A market for long-term funds, including equity and debt
(c) A market for trading in goods and services
(d) A market for consumer products

Ans : MAIN 2019

(b) A market for long-term funds, including equity and debt
The capital market is a financial market where long-term debt and equity securities are bought and sold. It plays a pivotal role in the economy by channeling savings into productive investments, thereby facilitating industrial and commercial growth. The market comprises two major components : the primary market, where new securities are issued, and the secondary market, where existing securities are traded. This market is instrumental in providing businesses with the funds they need for expansion and development.

68. What is the primary function of the secondary market?
(a) Issuance of new securities
(b) Purchase and sale of existing securities
(c) Raising funds for new enterprises
(d) Direct investment in start-ups

Ans : SQP 2005

(b) Purchase and sale of existing securities
The secondary market, commonly referred to as the stock exchange, facilitates the trading of previously issued securities among investors. It plays a critical role in providing liquidity and marketability to existing securities, enabling investors to convert their investments into cash whenever needed. This market also serves as an indicator of economic health and investor sentiment. Unlike the primary market, which deals with new securities, the secondary market ensures that existing securities continue to have value and can be freely traded.

69. Which type of cost remains constant regardless of business activity levels?
(a) Variable cost
(b) Fixed cost
(c) Mixed cost
(d) Direct cost

Ans : COMP 2000

(b) Fixed cost
Fixed costs are expenses that do not vary with the level of production or sales activity. Examples include rent, insurance, and salaries of permanent staff. These costs remain consistent over a specific period and are incurred even when the business operates at zero or low capacity. Unlike variable costs, which fluctuate with activity levels, fixed costs provide stability in financial planning but can become a burden if revenue generation is insufficient.

70. What is the primary focus of a sales budget?
(a) Estimating production costs
(b) Planning cash inflows and outflows
(c) Forecasting future sales revenue
(d) Combining all departmental budgets

Ans : MAIN 2006

(c) Forecasting future sales revenue
A sales budget is a detailed projection of the expected revenue from sales over a specific period. It helps businesses plan their production, inventory, and marketing efforts based on anticipated demand. By setting realistic sales targets, the sales budget aids in resource allocation and performance evaluation. This budget serves as the foundation for other budgets, such as the production and cash budgets, as sales revenue often drives business operations.

71. What is the primary purpose of the Trading Account?
(a) To measure the financial position of the business
(b) To determine gross profit or loss from transactions related to goods
(c) To account for indirect gains and expenses
(d) To summarize administrative expenses

Ans : SQP 2018

(b) To determine gross profit or loss from transactions related to goods
The Trading Account is a part of the final accounts prepared by businesses to ascertain the gross profit or loss for the accounting period. It focuses exclusively on direct income and expenses related to the purchase and sale of goods. The account includes items such as opening stock, purchases, direct expenses, and sales revenue. Gross profit or

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loss is calculated as the difference between sales revenue and the cost of goods sold, providing a clear picture of the profitability of core business operations.

72. Which of the following is a feature of capital profit?
(a) Regular profit from sales activities
(b) Profit earned from the sale of fixed assets
(c) Profit arising from daily operations
(d) Profit that recurs every accounting period

Ans : COMP 2003

(b) Profit earned from the sale of fixed assets
Capital profit is the profit derived from extraordinary or non-operational activities, such as the sale of fixed assets or raising capital. These profits are not part of the regular trading activities of the business and do not occur frequently. Unlike revenue profits, which arise from routine business operations like the sale of goods or services, capital profits are usually one-time occurrences and significantly impact the financial statements of the company.

73. What is the main characteristic of revenue loss?
(a) Losses incurred in the sale of fixed assets
(b) Non-recurring and extraordinary losses
(c) Losses occurring during routine operations
(d) Losses reflected in the balance sheet only

Ans : MAIN 2004

(c) Losses occurring during routine operations
Revenue loss refers to the losses a business suffers in the ordinary course of its operations, such as the sale of goods at a price lower than their cost or uncollected bad debts. These losses are recurring and short-term, directly affecting the Profit and Loss Account for the current accounting period. They differ from capital losses, which are associated with non-recurring activities like selling fixed assets.

74. Which of the following is an example of indirect expense?
(a) Direct wages
(b) Factory rent
(c) Advertising costs
(d) Raw material costs

Ans : SQP 2009

(c) Advertising costs
Indirect expenses are costs that are not directly attributable to the production process but are necessary to support the business, such as advertising, sales commissions, and administrative salaries. These expenses relate to selling, distribution, or administration rather than manufacturing. In contrast, direct expenses, like wages and raw material costs, are traceable to the production of specific goods.

75. Which of the following is a source of long-term finance?
(a) Bank overdraft
(b) Equity share capital
(c) Discounting of bills
(d) Cash credit

Ans : COMP 2001

(b) Equity share capital
Long-term finance is required for investments that extend beyond five years, such as purchasing fixed assets or expanding operations. Equity share capital is a primary source of long-term finance because shareholders provide funds that remain in the business for an indefinite period. On the other hand, bank overdrafts, cash credit, and discounting of bills are short-term financing options typically used for immediate working capital needs.

76. What is the role of the master budget?
(a) To summarize the Trading Account and Profit & Loss Account
(b) To plan cash inflows and outflows
(c) To combine all individual budgets into a comprehensive plan
(d) To calculate gross profit or loss

Ans : MAIN 2012

(c) To combine all individual budgets into a comprehensive plan
The master budget is a consolidated document that integrates all departmental budgets, such as the sales, production, and cash budgets. It provides a holistic view of the organization's financial and operational plans, ensuring that all departments work towards common objectives. The master budget is a critical tool for coordination, monitoring, and control within an organization.

77. What is the primary function of a cash budget?
(a) To estimate future production costs
(b) To forecast sales revenue
(c) To plan cash inflows and outflows
(d) To allocate indirect costs

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Ans : SQP 2002

(c) To plan cash inflows and outflows
The cash budget is a financial tool used to project the cash inflows and outflows for a specific period. It helps businesses ensure they have sufficient liquidity to meet obligations such as payments to creditors, salaries, and other expenses. By providing an overview of cash availability, the budget aids in effective financial management and prevents cash shortages or idle cash balances.

78. Which of the following is an example of factory overhead?
(a) Advertising expenses
(b) Sales commissions
(c) Machinery depreciation
(d) Office stationery costs

Ans : COMP 2015

(c) Machinery depreciation
Factory overhead includes all indirect costs incurred in the manufacturing process, such as machinery depreciation, factory rent, and utility costs. These expenses are not directly tied to a specific product but are essential for running the production facility. Advertising expenses, sales commissions, and office stationery costs are classified under selling, distribution, or administrative overheads.

79. Which of the following is true about mixed costs?
(a) They vary directly with the level of production.
(b) They remain constant regardless of production levels.
(c) They contain both fixed and variable components.
(d) They are always classified as direct costs.

Ans : MAIN 2017

(c) They contain both fixed and variable components.
Mixed costs are those that consist of a fixed base charge and a variable component that changes with the level of activity. For example, utility bills often include a fixed charge plus an additional cost based on usage. This classification helps businesses analyze and manage costs effectively, as they need to account for both constant and activity-dependent expenses.

80. What does the Profit and Loss Account show?
(a) Gross profit or loss
(b) Financial position of the business
(c) Net profit or loss for the period
(d) Inventory valuation

Ans : SQP 2024

(c) Net profit or loss for the period
The Profit and Loss Account summarizes all indirect incomes and expenses to determine the net result of business operations for the accounting period. It accounts for revenue generated and costs incurred, including administrative, selling, and financial expenses, ultimately reflecting whether the business has made a profit or incurred a loss during the period.

81. What is the significance of marshalling a balance sheet?
(a) To calculate net profit or loss
(b) To arrange assets and liabilities in a specific order
(c) To summarize business transactions related to goods
(d) To determine the cost of goods sold

Ans : COMP 2023

(b) To arrange assets and liabilities in a specific order
Marshalling a balance sheet involves organizing assets and liabilities in either order of liquidity or permanence. In the liquidity order, assets are arranged based on how quickly they can be converted into cash, while liabilities are listed by their due dates. In the permanence order, assets are listed based on their lifespan, starting with fixed assets, and liabilities are arranged starting with long-term obligations. This systematic arrangement aids in financial analysis and decision-making.

82. A company failed to prepare a proper cash budget and, as a result, faced a liquidity crisis, leading to difficulties in paying salaries and suppliers on time. Which aspect of budgeting was ignored?
(a) Sales Budget
(b) Production Budget
(c) Cash Budget
(d) Master Budget

Ans : MAIN 2022

(c) Cash Budget
A Cash Budget is crucial for planning cash inflows and outflows to ensure that a business has sufficient liquidity to meet its short-term obligations. The failure to prepare a cash budget led to a situation where the company could not

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manage its cash effectively, resulting in delayed payments. A well-prepared cash budget helps in avoiding such financial difficulties by ensuring that adequate funds are available when needed.

83. An investor bought shares of a company but later wanted to sell them to another investor for liquidity. Which market will facilitate this transaction?
(a) Primary Market
(b) Secondary Market
(c) Capital Market
(d) Money Market

Ans : SQP 2021

(b) Secondary Market
The Secondary Market allows investors to buy and sell previously issued securities, providing liquidity to investors who wish to exit their investments. Unlike the Primary Market, where new securities are issued for the first time, the secondary market enables the resale of existing securities through stock exchanges. This ensures that investments remain liquid, giving investors the flexibility to trade their shares as needed.

84. A company raised funds by issuing debentures to investors. This amount was recorded in the books under revenue receipts. What is the correct classification for this transaction?
(a) Revenue Receipt
(b) Capital Receipt
(c) Revenue Expenditure
(d) Capital Expenditure

Ans : COMP 2020

(b) Capital Receipt
Capital Receipts are funds received from non-recurring sources such as loans, issuance of shares, or sale of fixed assets. Since the company raised funds by issuing debentures, this is a capital receipt because it creates a liability and does not occur in regular business operations. It should not be classified as a revenue receipt, which arises from day-to-day business activities like sales and services.

85. A factory purchased raw materials for production. The accountant mistakenly recorded this expense as a capital expenditure. How should this expense be correctly classified?
(a) Capital Expenditure
(b) Deferred Revenue Expenditure
(c) Revenue Expenditure
(d) Capital Receipt

Ans : MAIN 2008

(c) Revenue Expenditure
Revenue Expenditure refers to expenses that are incurred for the day-to-day running of a business and are fully utilized within the accounting year. The purchase of raw materials is a part of operational expenses and directly contributes to production, making it a revenue expenditure. Capital expenditure, in contrast, is spent on long-term assets like land or machinery.

86. A company spent a huge amount on an advertising campaign that will benefit the business for several years. How should this expenditure be classified?
(a) Revenue Expenditure
(b) Capital Expenditure
(c) Deferred Revenue Expenditure
(d) Capital Receipt

Ans : SQP 2007

(c) Deferred Revenue Expenditure
Deferred Revenue Expenditure is a type of expense incurred in the current period but provides benefits over multiple years. A large-scale advertising campaign enhances brand recognition and sales over time, making it suitable for classification as deferred revenue expenditure. Instead of being fully charged to the current year, it is amortized over the years it benefits.

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87. The electricity bill of a factory includes a fixed charge plus an additional cost based on usage. How should this cost be classified?
(a) Fixed Cost
(b) Variable Cost
(c) Mixed Cost
(d) Prime Cost

Ans : COMP 2016

(c) Mixed Cost
A Mixed Cost contains both fixed and variable components. In this case, the fixed charge remains constant every month, while the variable component changes based on electricity consumption. This type of cost structure is common in utility bills, where a business pays a base amount regardless of usage and an additional charge depending on usage.

88. A business recorded depreciation on machinery as an indirect expense in the Profit & Loss Account. Which category does depreciation fall under?
(a) Direct Expense
(b) Indirect Expense

(c) Capital Expenditure
(d) Revenue Receipt

Ans : MAIN 2013

(b) Indirect Expense
Depreciation is classified as an indirect expense because it is not directly linked to production but is necessary for the overall functioning of the business. It is recorded in the Profit & Loss Account to spread the cost of a fixed asset over its useful life. Unlike direct expenses, which are tied to specific products, depreciation applies to assets used over time.

89. A company spent money on raw materials and wages for direct labor involved in production. What type of cost is this?
(a) Factory Overhead
(b) Indirect Cost
(c) Direct Cost
(d) Selling & Distribution Cost

Ans : SQP 2010

(c) Direct Cost
Direct Costs are expenses that can be traced directly to the production of specific goods or services. Costs such as raw materials and direct labor wages are considered direct because they are directly associated with the manufacturing process. These costs form part of Prime Cost, which is essential for production.

90. A company issued equity shares to raise permanent capital from investors. What type of financing does this represent?
(a) Short-Term Finance
(b) Long-Term Finance
(c) Revenue Receipt
(d) Deferred Revenue Expenditure

Ans : COMP 2014

(b) Long-Term Finance
Equity share capital represents long-term financing, as it provides permanent capital to the company. Unlike short-term financing, which is meant for working capital needs, long-term financing is used for expansion, acquiring fixed assets, and growth. Investors who purchase equity shares become owners of the company and do not expect repayment.

91. A company planned for high production but did not forecast sufficient sales, leading to overstocking and storage issues. Which budget should have been prepared more accurately?
(a) Cash Budget
(b) Sales Budget
(c) Purchase Budget
(d) Master Budget

Ans : MAIN 2011

(b) Sales Budget
The Sales Budget estimates future sales revenue and helps businesses align production with expected demand. In this case, overproduction occurred due to an inaccurate sales forecast, leading to excess stock and storage problems. An accurate sales budget would have helped in adjusting production levels accordingly.

92. A company prepared a Trading Account to determine its gross profit for the year. What does the Trading Account include?
(a) Direct expenses and direct incomes
(b) Indirect expenses and indirect incomes
(c) All types of expenses and incomes
(d) Only capital receipts

Ans : SQP 2019

(a) Direct expenses and direct incomes
A Trading Account records direct expenses such as raw material costs, direct labor, and factory expenses, along with direct incomes like sales revenue. It calculates the gross profit or loss, which represents the difference between the cost of goods sold and sales revenue. Indirect expenses are recorded separately in the Profit & Loss Account.

93. A company arranged its balance sheet by listing assets in order of permanence, starting with fixed assets and ending with current assets. What type of marshalling is this?
(a) Liquidity Order
(b) Permanence Order
(c) Chronological Order
(d) Random Order

Ans : COMP 2005

(b) Permanence Order
The Permanence Order of marshalling arranges assets based on their longevity, starting with fixed assets like land, buildings, and machinery, and ending with current assets like cash and receivables. This approach helps in analyzing the long-term financial stability of a company. The Liquidity Order, on the other hand, arranges assets based on how quickly they can be converted into cash.

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ASSERTION AND REASON

94. **Assertion (A) :** Capital receipts are non-recurring in nature.
Reason (R) : Capital receipts are associated with financing and investing activities rather than regular operating activities.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2024

(a) Both A and R are true, and R is the correct explanation of A.
Capital receipts refer to income that is not part of a company's routine operational activities and typically arises from exceptional events like issuing shares, selling fixed assets, or raising loans. These receipts either increase a liability (e.g., loans) or decrease an asset (e.g., sale of fixed assets). Their non-recurring nature distinguishes them from revenue receipts, which are tied to regular business operations. The reason accurately identifies that capital receipts are linked to financing and investing activities, which explains why they are not part of everyday operations.

95. **Assertion (A) :** Revenue receipts are limited to the current accounting year.
Reason (R) : Revenue receipts arise from the core operations of a business, such as sales or services rendered.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2023

(a) Both A and R are true, and R is the correct explanation of A.
Revenue receipts are directly related to the daily operations of a business and represent income generated during the normal course of business activities. These receipts include income such as sales revenue, rent, interest, and commission earned. They are short-term in nature, as their benefits are confined to the accounting year in which they are received. The reason accurately supports this assertion, as revenue receipts stem from core activities like selling goods or providing services, which aligns with their recurring and operational characteristics.

96. **Assertion (A) :** Deferred revenue expenditure provides benefits beyond the current accounting period.
Reason (R) : Deferred revenue expenditure is capitalized and written off over multiple years.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2023

(a) Both A and R are true, and R is the correct explanation of A.
Deferred revenue expenditure refers to spending that is incurred in the current period but is expected to generate benefits over future periods. For example, a company might incur significant advertising costs in one year, but the benefits of increased brand awareness and sales may span multiple years. To match expenses with their benefits, these costs are capitalized and amortized over the relevant periods. This ensures that the expenditure is allocated correctly, reflecting its long-term impact on the company's performance. The reason provides a valid explanation by highlighting the process of capitalization and gradual write-off.

97. **Assertion (A) :** The capital market provides long-term funds for businesses.
Reason (R) : The capital market consists of the primary and secondary markets for raising and trading securities.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2022

(a) Both A and R are true, and R is the correct explanation of A.
The capital market is a financial marketplace where long-term funds are raised and invested. It comprises the primary market, which facilitates the issuance of new securities like shares and

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debentures, and the secondary market, where existing securities are bought and sold. These markets enable businesses to access substantial funds for expansion, innovation, and infrastructure development. By directing community savings into productive investments, the capital market contributes to economic growth. The reason correctly identifies the components of the capital market and explains how it facilitates long-term financing.

98. **Assertion (A) :** Fixed costs remain constant irrespective of the level of business activity.
Reason (R) : Fixed costs are associated with non-variable expenses such as rent or salaries.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2000

(a) Both A and R are true, and R is the correct explanation of A.
Fixed costs are expenses that do not change with the volume of production or sales. Examples include rent for office premises, salaries of permanent staff, and insurance premiums. These costs remain constant over a given period, regardless of whether the business is operating at full capacity or minimal levels. The reason accurately explains that these costs are "non-variable" because they do not fluctuate with changes in operational activity. This fixed nature allows businesses to predict and plan their overhead expenses effectively, even though these costs may become a burden during periods of low activity.

99. **Assertion (A) :** A sales budget focuses on estimating future sales revenue.
Reason (R) : The sales budget is critical for setting production targets and inventory management.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2006

(a) Both A and R are true, and R is the correct explanation of A.
The sales budget is a financial plan that forecasts the revenue a business expects to earn from sales during a specific period. It is crucial for determining production levels and managing inventory to meet expected demand. By aligning sales forecasts with production and procurement plans, businesses can ensure efficient operations, avoid overstocking or stockouts, and optimize resource allocation. The reason effectively explains the importance of the sales budget in achieving these operational goals.

100. **Assertion (A) :** Mixed costs have both fixed and variable components.
Reason (R) : Mixed costs fluctuate with business activity but also have a base cost that remains unchanged.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2018

(a) Both A and R are true, and R is the correct explanation of A.
Mixed costs, such as utility bills or vehicle maintenance, include a fixed portion that does not change regardless of activity level and a variable portion that fluctuates with the level of activity. For example, a utility bill may have a fixed monthly connection charge and an additional charge based on usage. The reason correctly explains that while part of the cost remains constant, the other part changes with activity, making the explanation accurate and complete.

101. **Assertion (A) :** Revenue expenditures are recurring in nature.
Reason (R) : Revenue expenditures are costs incurred to meet the routine needs of the business within a specific accounting year.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2003

(a) Both A and R are true, and R is the correct explanation of A.
Revenue expenditures refer to costs incurred in the day-to-day operations of a business, such as

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wages, rent, and utilities. These expenditures recur regularly and are fully utilized within the same accounting year. The reason provides an accurate explanation of why revenue expenditures are classified as recurring, as they are necessary for maintaining ongoing business activities and have no long-term benefit.

102. **Assertion (A) :** Direct costs can be easily attributed to a specific product or service.
Reason (R) : Direct costs include expenses such as raw materials and direct labor, which are directly linked to production.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2004

(a) Both A and R are true, and R is the correct explanation of A.
Direct costs are those costs that can be directly traced to the production of a specific good or service. Examples include raw material costs and wages paid to workers directly involved in manufacturing. These costs are essential for calculating the cost of goods sold and are integral to determining a product's profitability. The reason clearly explains why direct costs are identifiable with specific production activities.

103. **Assertion (A) :** Indirect taxes are paid by consumers when they purchase goods and services.
Reason (R) : Indirect taxes are levied on transactions rather than directly on income or profits.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2009

(a) Both A and R are true, and R is the correct explanation of A.
Indirect taxes, such as goods and services tax (GST) or excise duty, are charged on the production or sale of goods and services. These taxes are ultimately passed on to the consumer, who pays them as part of the price. The reason is accurate because indirect taxes are applied to transactions and not directly to an individual's income or a company's profits.

104. **Assertion (A) :** The Profit and Loss Account reflects the net result of operations for the accounting period.
Reason (R) : The Profit and Loss Account accounts for both direct and indirect expenses incurred by the business.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2001

(b) Both A and R are true, but R is not the correct explanation of A.
The Profit and Loss Account summarizes indirect expenses, such as selling and administrative costs, along with incomes to determine the net profit or loss for the period. However, direct expenses (e.g., raw materials, direct labor) are recorded in the Trading Account, not the Profit and Loss Account. Thus, the assertion is correct, but the reason does not fully explain it.

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105. **Assertion (A) :** Marshalling the Balance Sheet helps in financial analysis.
Reason (R) : Marshalling involves arranging assets and liabilities in a specific order, such as liquidity or permanence.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2012

(a) Both A and R are true, and R is the correct explanation of A.
Marshalling refers to systematically arranging assets and liabilities in the Balance Sheet either based on liquidity (how quickly they can be converted to cash) or permanence (starting with long-term assets and liabilities). This organization aids stakeholders in analyzing the financial health of the company, as it provides a clear picture of its ability to meet short-term and long-term obligations.

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106. **Assertion (A) :** The primary market facilitates the issuance of new securities.
Reason (R) : The primary market helps transfer funds from savers to entrepreneurs for business expansion.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2002

(a) Both A and R are true, and R is the correct explanation of A.
The primary market is a platform where new securities, such as shares or debentures, are issued to raise funds for business growth or new projects. It bridges the gap between savers and entrepreneurs by enabling businesses to secure long-term financing directly from investors. The reason accurately explains how the primary market fulfills its role in economic development.

107. **Assertion (A) :** A master budget provides a comprehensive financial plan for an organization.
Reason (R) : The master budget integrates all individual departmental budgets into a unified plan.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2015

(a) Both A and R are true, and R is the correct explanation of A.
The master budget consolidates budgets from various departments, such as sales, production, and finance, into a single cohesive plan. It serves as a roadmap for achieving organizational objectives by ensuring that all departments align their activities. The reason clearly explains the master budget's role in providing a comprehensive financial plan.

108. **Assertion (A) :** Factory overheads include indirect costs incurred within the factory.
Reason (R) : Factory overheads cover expenses like factory rent, machinery depreciation, and utilities.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2017

(a) Both A and R are true, and R is the correct explanation of A.
Factory overheads consist of all indirect costs necessary to maintain the production process within the factory. These include expenses like factory rent, depreciation on machinery, and utility bills. These costs, while not directly linked to individual products, are essential for maintaining the overall production environment. The reason effectively supports the assertion by listing common factory overheads.

109. **Assertion (A) :** A production budget estimates the costs of producing goods.
Reason (R) : A production budget is based on the planned output and sales targets.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2024

(a) Both A and R are true, and R is the correct explanation of A.
A production budget estimates the resources and costs required to manufacture goods based on projected sales and inventory requirements. It ensures that the production aligns with sales targets while optimizing resource usage. The reason accurately explains the basis of the production budget, making it a valid explanation for the assertion.

110. **Assertion (A) :** Capital expenditure creates long-term assets for the business.
Reason (R) : Capital expenditure is incurred for acquiring or upgrading fixed assets like machinery and buildings.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

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Ans : MAIN 2023

(a) Both A and R are true, and R is the correct explanation of A.
Capital expenditure refers to investments made in fixed assets, such as machinery, buildings, or equipment, which provide benefits over several years. These expenditures are recorded on the balance sheet and are not recurring in nature. The reason accurately supports the assertion by explaining the purpose and nature of capital expenditure.

111. **Assertion (A) :** Revenue loss occurs during the ordinary course of business operations.
Reason (R) : Revenue loss is reflected in the Profit and Loss Account in the year it occurs.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2022

(a) Both A and R are true, and R is the correct explanation of A.
Revenue loss arises from regular business activities, such as selling goods at a loss or recovering bad debts. These losses impact the Profit and Loss Account directly and are confined to the accounting period in which they occur. The reason explains that such losses are operational in nature and are recognized immediately in financial statements.

112. **Assertion (A) :** Direct taxes are levied on the income or profits of individuals and corporations.
Reason (R) : Direct taxes are paid directly to the government by the individual or entity on whom they are imposed.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2021

(a) Both A and R are true, and R is the correct explanation of A.
Direct taxes, such as income tax and corporate tax, are charged directly on the income or profits of individuals and businesses. The taxpayer is responsible for paying these taxes directly to the government, and the burden of the tax cannot be shifted to another party. The reason accurately describes the mechanism of direct taxes, supporting the assertion.

113. **Assertion (A) :** Overhead expenses include indirect costs incurred in running the business.
Reason (R) : Overhead expenses do not contribute directly to the production process but are essential for business operations.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2020

(a) Both A and R are true, and R is the correct explanation of A.
Overhead expenses, such as rent, utilities, and administrative salaries, are necessary to maintain the business environment but do not directly affect production. These costs are classified as indirect expenses, as they support the organization's overall functioning rather than specific products. The reason correctly explains why overhead expenses are indirect in nature.

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114. **Assertion (A) :** The secondary market provides liquidity to existing securities.
Reason (R) : The secondary market facilitates the trading of previously issued securities among investors.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2008

(a) Both A and R are true, and R is the correct explanation of A.
The secondary market, also known as the stock exchange, allows investors to buy and sell existing securities, providing liquidity and marketability to these financial instruments. This ensures that investors can convert their investments into cash or reallocate funds as needed. The reason explains how the secondary market achieves this, making it a valid explanation for the assertion.

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115. **Assertion (A) :** Selling and distribution overheads are considered indirect expenses.
Reason (R) : Selling and distribution overheads include costs like advertising and sales commissions, which support the sale of finished goods.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2007

(a) Both A and R are true, and R is the correct explanation of A.
Selling and distribution overheads encompass expenses incurred to market, sell, and distribute products, such as advertising, promotional costs, and sales commissions. These costs do not directly contribute to manufacturing but are essential for ensuring that finished goods reach customers. The reason supports the classification of these overheads as indirect expenses.

116. **Assertion (A) :** Variable costs change directly with the level of production.
Reason (R) : Variable costs include expenses such as raw material costs and direct labor, which increase as production increases.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2006

(a) Both A and R are true, and R is the correct explanation of A.
Variable costs are directly proportional to the level of production or activity in a business. For example, raw material costs and direct labor expenses increase as more units are produced. The reason accurately explains this behavior of variable costs, supporting the assertion.

117. **Assertion (A) :** The Trading Account determines the gross profit or loss of a business.
Reason (R) : The Trading Account summarizes direct income and expenses related to the purchase and sale of goods.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2013

(a) Both A and R are true, and R is the correct explanation of A.
The Trading Account focuses on direct costs, such as purchases and direct expenses, as well as direct income, like sales revenue. By comparing these figures, the account calculates the gross profit or loss for the accounting period, providing a foundation for assessing overall profitability. The reason explains the purpose and components of the Trading Account, making it a valid explanation.

118. **Assertion (A) :** Prime cost includes all direct costs incurred in production.
Reason (R) : Prime cost is the sum of direct material, direct labor, and direct expenses.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2021

(a) Both A and R are true, and R is the correct explanation of A.
Prime cost refers to the total of all direct costs involved in the production of goods, including raw materials, wages for workers directly engaged in manufacturing, and other direct expenses like freight. These costs are essential for calculating the base cost of production. The reason clearly explains the components of prime cost, supporting the assertion.

119. **Assertion (A) :** Administrative overheads are indirect costs.
Reason (R) : Administrative overheads include expenses related to office operations, such as salaries of office staff and utilities.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2010

(a) Both A and R are true, and R is the correct explanation of A.

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Administrative overheads are necessary for the general management and operation of a business but are not tied directly to the production process. Examples include office staff salaries, rent for administrative offices, and utility costs. The reason accurately identifies these expenses and explains why they are categorized as indirect costs.

STATEMENT BASED QUESTIONS

120. A company decides to create a Master Budget by compiling individual budgets from different departments. Identify which of the following will be true in this context.

I. The Master Budget includes only the Sales and Production Budget.
II. The Master Budget serves as a comprehensive financial plan for the company.
III. The Master Budget integrates all functional budgets, such as Sales, Production, and Cash Budgets.
IV. The Master Budget only includes expenses but not revenue projections.

(a) I and II are true
(b) II and III are true
(c) I and IV are true
(d) III and IV are true

Ans : MAIN 2024

(b) II and III are true
A Master Budget is a comprehensive plan that combines all individual departmental budgets, such as Sales, Production, Cash, and Administrative Budgets, to provide a complete financial outlook for the company. It serves as a blueprint for financial planning and control, ensuring that all aspects of business operations are aligned with strategic objectives. The incorrect statements are I and IV, as the Master Budget includes all functional budgets (not just Sales and Production) and contains both revenue and expense projections.

121. A company issues equity shares to raise funds for expansion. Identify which of the following will be true in this context.

I. The company is raising short-term finance.
II. The company is acquiring long-term capital.
III. The funds raised through equity shares do not have to be repaid.
IV. The company must pay fixed interest on the equity shares issued.

(a) I and III are true
(b) II and III are true
(c) III and IV are true
(d) I and IV are true

Ans : SQP 2011

(b) II and III are true
When a company issues equity shares, it raises long-term capital from investors, meaning that option II is correct. Equity capital does not need to be repaid like loans, as investors become part-owners of the company. Hence, option III is also correct. However, the company does not pay fixed interest on equity shares, unlike debentures; instead, shareholders receive dividends, which vary based on company performance. The incorrect statements are I and IV, as equity financing is not a short-term source, and it does not involve fixed interest payments.

122. A company received money from the sale of old machinery. Identify which of the following will be true in this context.

I. The company has generated a capital receipt.
II. The transaction will be recorded as a revenue receipt.
III. The sale of machinery is a non-recurring event.
IV. The transaction represents income from regular business operations.

(a) I and III are true
(b) II and IV are true
(c) I and IV are true
(d) III and IV are true

Ans : COMP 2019

(a) I and III are true
The sale of old machinery is a capital receipt because it involves the disposal of a fixed asset, making statement I correct. This is also a non-recurring event, meaning it does not occur as part of routine operations, making statement III correct. Revenue receipts come from core business activities, such as sales of goods or services, which do not include selling fixed assets.

123. A company paid for the repair of machinery used in production. Identify which of the following will be true in this context.

I. The repair cost is a capital expenditure.
II. The repair cost is a revenue expenditure.

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III. This expenditure is non-recurring and provides long-term benefits.
IV. This expenditure is recurring and is meant for maintaining operations.
(a) I and III are true
(b) II and IV are true
(c) III and IV are true
(d) I and IV are true

Ans : MAIN 2005

(b) II and IV are true
Repair expenses help maintain assets but do not increase their lifespan or efficiency significantly, making them revenue expenditures (statement II correct). Since maintenance costs are recurring and essential for daily business operations, statement IV is also correct. Capital expenditures, on the other hand, involve purchasing or upgrading assets, which is not the case here.

124. A company spent a large sum on a nationwide advertisement campaign expected to generate sales for the next five years. Identify which of the following will be true.
I. This expenditure is a revenue expense.
II. This expenditure should be classified as deferred revenue expenditure.
III. The entire cost should be charged in the current year only.
IV. The cost should be amortized over multiple years.
(a) I and III are true
(b) II and IV are true
(c) III and IV are true
(d) I and II are true

Ans : SQP 2000

(b) II and IV are true
The advertising campaign provides long-term benefits and is thus classified as deferred revenue expenditure (statement II correct). Instead of recording the full expense in one year, the cost should be amortized over multiple years to match revenue generation (statement IV correct).

125. A company pays a monthly rent of ₹50,000 for its factory. Identify which of the following will be true.
I. This is a fixed cost.
II. This is a variable cost.
III. This cost remains the same regardless of production levels.
IV. This cost increases as production increases.
(a) I and III are true
(b) II and IV are true
(c) III and IV are true
(d) I and IV are true

Ans : COMP 2006

(a) I and III are true
Fixed costs remain unchanged regardless of business activity, making statements I and III correct. Rent does not fluctuate based on production levels, distinguishing it from variable costs, which change with output.

126. A company prepares a Trading Account to calculate gross profit. Identify which of the following will be true.
I. The Trading Account records direct expenses and incomes.
II. The Trading Account records indirect expenses and incomes.
III. The Trading Account helps calculate net profit.
IV. The Trading Account helps determine gross profit.
(a) I and IV are true
(b) II and III are true
(c) III and IV are true
(d) I and II are true

Ans : MAIN 2018

(a) I and IV are true
A Trading Account includes direct expenses (e.g., raw material costs) and direct incomes (e.g., sales revenue) to calculate gross profit (statements I and IV correct). Indirect expenses and net profit are calculated in the Profit & Loss Account, not in the Trading Account.

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127. A company organizes its balance sheet by listing fixed assets first and current assets last. Identify which marshalling method is being used.
I. Liquidity Order
II. Permanence Order
III. Chronological Order
IV. Reverse Order
(a) I and III are true
(b) II and III are true
(c) I and IV are true
(d) II and IV are true

Ans : SQP 2003

(b) II and III are true
The Permanence Order method organizes assets from most permanent (fixed assets) to least

permanent (current assets) (statement II correct). The order follows a logical sequence, making Chronological Order also correct.

128. A factory pays wages to production workers. Identify which of the following will be true.
I. This is a direct cost.
II. This is an indirect cost.
III. This cost is easily attributable to production.
IV. This cost is not directly related to production.
(a) I and III are true
(b) II and IV are true
(c) III and IV are true
(d) I and II are true

Ans : COMP 2004

(a) I and III are true
Wages paid to workers directly involved in production are classified as direct costs (statements I and III correct). Indirect costs (e.g., administrative salaries) are not tied to specific products, which is not applicable here.

129. A company failed to estimate cash inflows correctly and ran out of funds to pay suppliers. Which budget should have been prepared properly?
I. Sales Budget
II. Cash Budget
III. Production Budget
IV. Master Budget
(a) I and III are true
(b) II and IV are true
(c) II and III are true
(d) I and IV are true

Ans : MAIN 2009

(b) II and IV are true
A Cash Budget helps plan cash inflows and outflows, preventing liquidity shortages (statement II correct). A Master Budget integrates all financial plans, ensuring proper fund allocation (statement IV correct).

130. A company pays corporate tax on its annual profits. Identify which of the following will be true in this context.
I. This is a direct tax.
II. This is an indirect tax.
III. The company pays this tax directly to the government.
IV. The company can shift this tax burden to customers.
(a) I and III are true
(b) II and IV are true
(c) III and IV are true
(d) I and II are true

Ans : SQP 2001

(a) I and III are true
Corporate tax is a direct tax because it is levied directly on a company's profits (statement I correct). The company itself is responsible for paying this tax to the government and cannot shift the burden to customers (statement III correct). Indirect taxes, like GST, are passed on to consumers.

131. An investor purchases newly issued shares of a company. Identify which of the following will be true.
I. This transaction happens in the Primary Market.
II. This transaction happens in the Secondary Market.
III. The investor is buying shares directly from the company.
IV. The investor is buying shares from another investor.
(a) I and III are true
(b) II and IV are true
(c) III and IV are true
(d) I and II are true

Ans : COMP 2012

(a) I and III are true
The Primary Market deals with newly issued shares bought directly from the company (statements I and III correct). In contrast, the Secondary Market involves trading existing shares among investors, which is not the case here.

132. A company issues preference shares to investors. Identify which of the following will be true.
I. Preference shareholders get priority in dividend payments.
II. Preference shareholders have voting rights in company decisions.
III. Preference shares provide fixed dividends before equity shareholders.
IV. Preference shares carry higher risk than equity shares.
(a) I and III are true
(b) II and IV are true
(c) I and IV are true
(d) II and III are true

Ans : MAIN 2002

(a) I and III are true

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Preference shareholders receive fixed dividends before equity shareholders (statement III correct) and have priority in payments during liquidation (statement I correct). However, they do not have voting rights, and they carry lower risk than equity shares.

133. A company calculates Prime Cost to determine production expenses. Identify which of the following will be true.
I. Prime Cost includes direct material and direct labor costs.
II. Prime Cost includes factory overheads.
III. Prime Cost is a direct cost related to production.
IV. Prime Cost includes selling and distribution expenses.
(a) I and III are true
(b) II and IV are true
(c) III and IV are true
(d) I and II are true

Ans : SQP 2015

(a) I and III are true
Prime Cost consists of direct material and direct labor costs, making statement I correct. It is directly related to production expenses (statement III correct). Factory overheads and selling expenses are not included in Prime Cost.

134. A company's electricity bill consists of a fixed monthly charge plus a usage-based charge. How should this cost be classified?
I. It is a fixed cost.
II. It is a variable cost.
III. It is a mixed cost.
IV. It does not change with production.
(a) I and III are true
(b) II and IV are true
(c) III and IV are true
(d) I and IV are true

Ans : COMP 2017

(c) III and IV are true
Since the electricity bill has both fixed and variable components, it is classified as a Mixed Cost (statement III correct). However, part of it does vary with production, so statement IV is incorrect.

135. A business records advertising expenses in its Profit and Loss Account. Identify which of the following will be true.
I. Advertising expense is a direct expense.
II. Advertising expense is an indirect expense.
III. It is recorded in the Trading Account.
IV. It is recorded in the Profit and Loss Account.
(a) I and III are true
(b) II and IV are true
(c) III and IV are true
(d) I and IV are true

Ans : MAIN 2014

(b) II and IV are true
Advertising expense is classified as an indirect expense because it is related to sales and marketing (statement II correct). Indirect expenses are recorded in the Profit and Loss Account, not in the Trading Account (statement IV correct).

136. A company produced more goods than expected demand, resulting in high storage costs. Which budget should have been prepared more accurately?
I. Sales Budget
II. Production Budget
III. Cash Budget
IV. Master Budget
(a) I and II are true
(b) II and III are true
(c) III and IV are true
(d) I and IV are true

Ans : MAIN 2024

(a) I and II are true
A Sales Budget estimates expected demand, and a Production Budget ensures that production aligns with demand. Failure in these budgets led to overproduction and excess stock.

137. A company takes a loan from a commercial bank for 3 years. Identify which of the following will be true.
I. This is short-term finance.
II. This is long-term finance.
III. It is recorded under capital receipts.
IV. It is recorded under revenue receipts.
(a) I and III are true
(b) II and III are true
(c) III and IV are true
(d) I and IV are true

Ans : SQP 2023

(b) II and III are true
A 3-year loan is classified as long-term finance (statement II correct). Loans are recorded as capital receipts, as they are non-recurring financial sources (statement III correct).

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138. A company ran out of cash and was unable to pay employee salaries. Which budget should have been managed properly?
I. Sales Budget
II. Cash Budget
III. Master Budget
IV. Production Budget
(a) I and II are true
(b) II and III are true
(c) III and IV are true
(d) I and IV are true

Ans : COMP 2022

(b) II and III are true
A Cash Budget ensures that enough cash is available to meet obligations (statement II correct). The Master Budget integrates all financial plans, ensuring efficient cash flow management (statement III correct).

139. A company issues new bonds to raise funds for expansion. Identify which of the following will be true.
I. This transaction happens in the Primary Market.
II. This transaction happens in the Secondary Market.
III. The company is selling bonds directly to investors.
IV. The company is buying back its own bonds.
(a) I and III are true
(b) II and IV are true
(c) III and IV are true
(d) I and II are true

Ans : MAIN 2020

(a) I and III are true
Issuing new bonds means the company is raising capital through the Primary Market (statement I correct). The Primary Market facilitates the sale of new securities directly to investors (statement III correct). The Secondary Market only deals with trading existing securities among investors.

140. A company suffered a loss from the sale of old machinery at a lower price than its book value. Identify which of the following will be true.
I. This is a capital loss.
II. This is a revenue loss.
III. This loss appears in the Profit & Loss Account.
IV. This loss is recorded under trading activities.
(a) I and III are true
(b) II and IV are true
(c) III and IV are true
(d) I and IV are true

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Ans : SQP 2008

(a) I and III are true
A loss incurred from selling fixed assets (e.g., old machinery) is a capital loss (statement I correct). Since it is an extraordinary loss, it appears in the Profit & Loss Account (statement III correct). Revenue losses arise from day-to-day business activities, which do not include asset sales.

141. A company paid rent for its office building and recorded it as an overhead expense. Identify which of the following will be true.
I. Rent is an operating expense.
II. Rent is an overhead expense.
III. Rent is a direct expense.
IV. Rent is a factory overhead cost.
(a) I and II are true
(b) II and IV are true
(c) III and IV are true
(d) I and III are true

Ans : COMP 2007

(a) I and II are true
Rent is an operating expense since it is essential for running the business (statement I correct). It is also classified as an overhead expense, as it is necessary for business operations but not directly linked to production (statement II correct). Direct expenses relate to production costs, not general office expenses.

142. A company records wages for factory workers in its Trading Account. Identify which of the following will be true.
I. Wages are direct expenses.
II. Wages are indirect expenses.
III. The Trading Account includes direct expenses and direct incomes.
IV. Wages are recorded in the Profit & Loss Account.
(a) I and III are true
(b) II and IV are true
(c) III and IV are true
(d) I and II are true

Ans : MAIN 2016

(a) I and III are true
Wages for factory workers are direct expenses as they are directly linked to production (statement I correct). The Trading Account records direct expenses and direct incomes, including wages

(statement III correct). Indirect expenses (e.g., administrative salaries) go into the Profit & Loss Account.

143. A company spends money on advertising and transportation of goods. Identify which of the following will be true.
I. Advertising costs are direct expenses.
II. Advertising and transportation costs are indirect expenses.
III. These expenses are recorded under selling and distribution overheads.
IV. These expenses are included in the Trading Account.
(a) I and III are true
(b) II and III are true
(c) III and IV are true
(d) I and II are true

Ans : SQP 2013

(b) II and III are true
Advertising and transportation costs are indirect expenses, as they do not contribute directly to production (statement II correct). These expenses fall under Selling and Distribution Overheads in the Profit & Loss Account (statement III correct).

144. A company takes a 2-year bank loan for working capital. Identify which of the following will be true.
I. This is a short-term finance source.
II. This is a long-term finance source.
III. The loan is recorded under capital receipts.
IV. The loan is recorded under revenue receipts.
(a) I and III are true
(b) II and III are true
(c) III and IV are true
(d) I and IV are true

Ans : COMP 2021

(a) I and III are true
A 2-year loan is considered short-term finance because it is for less than 5 years (statement I correct). It is a capital receipt since it generates funds for the business without being part of routine income (statement III correct).

145. A business failed to estimate cash inflows correctly, leading to a shortage of funds to pay suppliers. Identify which budget should have been managed properly.
I. Sales Budget
II. Cash Budget
III. Master Budget
IV. Production Budget
(a) I and II are true
(b) II and III are true
(c) III and IV are true
(d) I and IV are true

Ans : MAIN 2010

(b) II and III are true
A Cash Budget helps plan cash inflows and outflows, ensuring liquidity (statement II correct). The Master Budget integrates all financial plans, preventing such issues (statement III correct).

146. A company's sales commission expense increases as more products are sold. Identify which of the following will be true.
I. This is a fixed cost.
II. This is a variable cost.
III. This cost changes with sales volume.
IV. This cost remains constant regardless of sales.
(a) I and III are true
(b) II and III are true
(c) III and IV are true
(d) I and IV are true

Ans : SQP 2014

(b) II and III are true
Sales commission is a variable cost, as it changes with sales volume (statements II and III correct). Fixed costs remain constant, which is not the case here.

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147. A company buys a new factory building for ₹5 crores. Identify which of the following will be true.
I. This is a capital expenditure.
II. This is a revenue expenditure.
III. This expenditure provides long-term benefits.
IV. This expenditure is recurring in nature.
(a) I and III are true
(b) II and IV are true
(c) III and IV are true
(d) I and II are true

Ans : COMP 2011

(a) I and III are true
Purchasing a factory building is a capital expenditure, as it is a long-term investment (statements I and III correct). Revenue expenditures are recurring, whereas capital expenditures are non-recurring.

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PICTURE BASED QUESTIONS

148. Identify the picture.

(a) Trading Account
(b) Balance Sheet
(c) Profit & Loss Account
(d) Cash Budget

Ans : MAIN 2019

(b) Balance Sheet
A Balance Sheet provides a financial snapshot of a company's assets, liabilities, and equity at a specific point in time. It helps in understanding the financial position of the business, ensuring that total assets are equal to the sum of liabilities and owner's equity. If a picture of a financial statement is shown, it is likely to be a Balance Sheet, distinguishing it from a Trading Account (which determines gross profit), Profit & Loss Account (which calculates net profit), and Cash Budget (which estimates cash inflows and outflows).

149. Identify the picture.

(a) Primary Market
(b) Secondary Market
(c) Capital Receipt
(d) Revenue Receipt

Ans : SQP 2005

(b) Secondary Market
A Secondary Market refers to the stock exchange, where existing securities like shares and bonds are bought and sold between investors. If the image shows a stock trading screen with price fluctuations, graphs, or brokers trading stocks, it represents the Secondary Market. The Primary Market, on the other hand, is where new securities are issued for the first time.

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150. Identify the picture.

(a) Balance Sheet
(b) Profit & Loss Account
(c) Trading Account
(d) Cash Flow Statement

Ans : COMP 2000

(b) Profit & Loss Account
A Profit & Loss Account summarizes revenues and expenses over a financial period to determine net profit or loss. If the image includes a financial statement listing revenues, expenses, and net profit, it represents a Profit & Loss Account. The Balance Sheet shows assets and liabilities, while the Trading Account focuses on direct expenses and income.

151. Identify the financial statement depicted in the picture below.

(a) Trading Account
(b) Balance Sheet
(c) Profit & Loss Account
(d) Cash Flow Statement

Ans : MAIN 2006

(b) Balance Sheet
A Balance Sheet is a financial statement that presents a company's assets, liabilities, and equity at a specific point in time. In the image shows a structured financial document listing fixed assets, current assets, liabilities, and capital, it represents a Balance Sheet. Unlike a Cash Flow Statement, which tracks cash inflows and outflows, the Balance Sheet provides a snapshot of a company's financial position at a given moment.

152. A company wants to raise funds without increasing its debt burden. Which of the following financing methods should it choose?

(a) Issuing Debentures
(b) Taking a Bank Loan
(c) Issuing Equity Shares
(d) Borrowing from Financial Institutions

Ans : SQP 2018

(c) Issuing Equity Shares
Equity financing allows a company to raise capital by issuing equity shares to investors without incurring debt. Unlike debentures and bank loans, which require repayment with interest, equity shares provide ownership stakes to investors, who receive dividends based on company profits. This method helps in raising funds without increasing the company's financial liabilities.

TRUE FALSE QUESTIONS

153. Capital profit is earned from the regular business operations of a company.
(a) True
(b) False

Ans : MAIN 2024

(b) False
Capital profit arises from the sale of fixed assets or from raising capital, not from regular business activities.

154. Revenue expenditure is incurred for acquiring long-term assets for business operations.
(a) True
(b) False

Ans : SQP 2023

(b) False
Revenue expenditure is incurred for daily operations and does not result in long-term asset acquisition.

155. Indirect expenses are incurred in the production of goods and services.
(a) True
(b) False

Ans : COMP 2022

(b) False
Indirect expenses relate to selling and distribution, not production.

156. Direct taxes are levied on goods and services rather than individuals and corporations.
(a) True
(b) False

Ans : MAIN 2024

(b) False
Direct taxes are levied on the income of individuals and corporations, whereas indirect taxes apply to goods and services.

157. Operating expenses include expenses related to production, administration, and selling.
(a) True
(b) False

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Ans : MAIN 2023

(a) True
Operating expenses arise from normal business operations, including production, administration, and selling.

158. Revenue profits arise from the sale of fixed assets and financial investments.
(a) True
(b) False

Ans : SQP 2020

(b) False
Revenue profits are generated from the ordinary business activities, such as sales of goods and services.

159. Capital market deals with both short-term and long-term financing.
(a) True
(b) False

Ans : COMP 2003

(b) False
The capital market provides long-term funds, while the money market deals with short-term financing.

160. Balance Sheet records a business's financial position as on a particular date.
(a) True
(b) False

Ans : MAIN 2004

(a) True
The Balance Sheet provides a snapshot of a company's assets, liabilities, and capital at a specific point in time.

161. Cost includes only the direct expenses incurred in the production of goods.
(a) True
(b) False

Ans : SQP 2009

(b) False
Cost includes both direct and indirect expenses incurred in the production of goods or services.

162. Preference shareholders receive dividends before equity shareholders.
(a) True
(b) False

Ans : COMP 2001

(a) True
Preference shares carry a priority right over equity shares in dividend distribution.

163. Revenue loss is recorded in the Balance Sheet under long-term liabilities.
(a) True
(b) False

Ans : MAIN 2012

(b) False
Revenue loss appears in the Profit & Loss Account in the year it occurs, not in the Balance Sheet.

164. Master Budget is a combination of all individual budgets within an organization.
(a) True
(b) False

Ans : SQP 2002

(a) True
A master budget integrates sales, production, cash, and other departmental budgets into one consolidated plan.

165. The primary market deals with the resale of existing securities.
(a) True
(b) False

Ans : COMP 2015

(b) False
The primary market deals with new securities issued for the first time, while the secondary market handles resale.

166. Factory cost includes only direct material and direct labour.
(a) True
(b) False

Ans : MAIN 2017

(b) False
Factory cost includes prime cost and factory overheads like depreciation and rent.

167. Long-term finance is usually required for a period exceeding five years.
(a) True
(b) False

Ans : MAIN 2023

(a) True
Long-term finance includes sources such as equity, preference shares, and debentures, which exceed five years.

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168. Indirect materials are directly traceable to the final product.
(a) True
(b) False

Ans : SQP 2024

(b) False
Indirect materials support production but are not directly identifiable in the final product.

169. Overheads include all direct costs related to production.
(a) True
(b) False

Ans : COMP 2023

(b) False
Overheads refer to indirect costs like factory rent, depreciation, and administration expenses.

170. Discounting of Bills of Exchange is a method of obtaining short-term finance.
(a) True
(b) False

Ans : MAIN 2022

(a) True
Businesses can obtain short-term funds by selling bills of exchange to banks at a discount.

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171. Depreciation is considered a direct expense in cost accounting.
(a) True
(b) False

Ans : SQP 2020

(b) False
Depreciation is an indirect expense, as it is not directly attributable to production.

172. Fixed costs vary with the level of production output.
(a) True
(b) False

Ans : 2008

(b) False
Fixed costs remain constant regardless of production levels, unlike variable costs.

TWO MARK QUESTIONS

173. What is meant by 'Deferred Revenue Expenditure'?

or

What is Deferred Revenue Expenditure? Give an example.

Ans : MAIN 2024

Deferred revenue expenditure is an expenditure whose benefit extends beyond the current accounting year. Such expenditure does not result in the acquisition of any permanent asset. For examples :
(i) Heavy advertising expenses
(ii) Research expenses

174. What is meant by 'Capital Receipts'?

Ans : MAIN 2018

Capital Receipts refer to the receipts of a non-recurring nature such as additional capital from owners, loans raised by the firm, and money obtained from the sale of fixed assets. These receipts involve the creation of a liability or reduction in the value of fixed assets.

175. What is meant by 'Revenue Expenditure'?

Ans : COMP 2017, 2014

'Revenue Expenditure' refers to the expenditure the benefit of which is exhausted within the current year.
Examples :
(i) Day-to-day expenses,
(ii) Expenses to upkeep fixed assets, and
(iii) Depreciation on fixed assets, etc.

176. What is meant by 'Revenue Expenditure'?

Ans : MAIN 2017

Revenue Expenditure refers to recurring expenses incurred during regular business operations, fully consumed within the current accounting year. These include salaries, rent, utilities, repairs, and raw materials.

177. What is meant by the term 'Capital Expenditure'?

Ans : SQP 2011

Capital Expenditure refers to spending on acquiring or improving long-term assets that are used in the business to generate revenue over time. These expenses are non-recurring and provide benefits beyond the current accounting year.

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178. Distinguish between Trading Account and Profit & Loss Account?

Ans : SQP 2011

Difference between Trading Account and Profit & Loss Account :

Basis for Comparison	**Trading Account**	**Profit & Loss Account**
Meaning	Trading Account is an account which indicates the result of trading activities, such as purchase and sale of products.	Profit & Loss Account is an account, representing the actual profit earned or loss sustained by the business during the accounting period.
Preparation	It is prepared to ascertain gross profit or gross loss for the period.	It is prepared to ascertain net profit or net loss for the period.

179. What is a trading account?

Ans : COMP 2021

The account which is prepared to determine the gross profit or gross loss of a business concern is called trading account. It is prepared by the entities to know the profit earned or loss suffered from trading activities.

180. Give the meaning of profit and loss account?

Ans : MAIN 2010

Profit and Loss Account is an account that represents the net result of the operations of an enterprise during the financial period. It is prepared to show the net profit or net loss incurred during that period.

181. What is a balance sheet?

Ans : SQP 2014

Balance sheet is a list of the accounts having debit balance or credit balance in the ledger. On the assets side, it shows the accounts that have a debit balance and on the liabilities side the accounts that have a credit balance. The purpose of a balance sheet is to show a true and fair financial position of a business at a particular date. Every business prepares a balance sheet at the end of the accounting year.

182. What are Fixed Costs?

Ans : COMP 2020

Fixed costs are expenses that remain constant regardless of production or sales levels. They must be paid even if the business is inactive.
Examples : Rent or lease payments ,Salaries for administrative staff, Depreciation of assets ,Insurance premiums, Loan repayments

183. What do you understand by 'Semi-variable Costs'?

or

What is semi-variable cost? Give one example.

Ans : MAIN 2019, 2017

There are certain costs which do not vary proportionately but do not remain constant with changes in the volume of output either; e.g., telephone costs : basic rental is fixed but call charges are variable.

184. Distinguish between Fixed Cost and Variable Cost.

Ans : SQP 2019, 2016, 2012

The difference between fixed xost and variable cost

Fixed Cost	**Variable Cost**
Fixed Costs are time-based.	Variable Costs are activity-based.
Examples : Rent, salary, etc.	Examples : Raw material, direct labour, etc.

185. What do you mean by 'Indirect Material'? Give two examples.

or

What is indirect material cost?

Ans : COMP 2018, 2017

All materials which are used for ancillary purposes and which cannot be conveniently assigned to specific physical units or indirectly used, e.g., consumable stores, oil lubricants, cotton waste, printing and stationery materials, nails, glue, polish, etc. used in making furniture.

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186. Distinguish between Direct Costs and Indirect Costs.

Ans : MAIN 2017, 2011

The difference between the direct cost and indirect cost are as follows :

Basis for Comparison	Direct Cost	Indirect Cost
Meaning	A cost that is easily attributable to a cost object is known as Direct Cost.	Indirect cost is defined as the cost that cannot be allocated to a particular cost object.
Benefits	Specific projects	Multiple projects
Aggregate	When all the direct costs are taken together, they are known as price costs.	Total of all the indirect costs is called as overheads.

187. Distinguish between Direct Labour Costs and Indirect Labour Costs.

Ans : SQP 2014

Direct Labour Costs	Indirect Labour Costs
Direct Labour Cost is a part of a product.	Indirect Labour Cost is not a part of a specific unit of a product.
Wages paid to a carpenter is an example of Direct Labour Cost.	Wages paid to a watchman of a factory is an example of Indirect Labour Cost.

188. Distinguish between Variable Cost and Semi-variable Cost.

Ans : COMP 2013, 2009

Distinguish between Variable Cost and Semi-variable Cost are as follows :

Aspect	Variable Cost	Semi-variable Cost
Definition	Costs that change directly with production or sales levels.	Costs with both fixed and variable components.
Behavior	Fully proportional to activity level.	Partly fixed (constant) and partly variable (changes with usage).
Examples	Raw materials, direct labor, sales commissions.	Utility bills (fixed base + per-unit charge), salaries with overtime.

189. Explain 'Indirect Cost'.

Ans : MAIN 2013

Costs which cannot be accurately attributed to specific cost objects are called indirect costs. These typically benefit multiple cost objects, and it is impracticable to accurately trace them to individual products, activities, or departments, etc. Examples : Cost of depreciation, insurance, power, salaries of supervisors incurred in a concrete plant, etc.

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190. What is a Budget?

or

Explain the term 'Budget'.

Ans : SQP 2020, 2015

A budget is a detailed and quantitative plan of operations for some specific future period to attain a given objective. It can be expressed in physical or monetary units. It is the implementation of orderly plans and policies on the basis of forecast.

191. Explain 'Sales Budget'.

Ans : MAIN 2019, 2017

Sales Budget is related to the main function of the Sales Department. It is the overall estimation of sales related to a specific period. This budget helps the authorities to handle the sales volume effectively to maximize the profit of the business.

192. Why is a 'Master Budget' also known as a Summary Budget?

Ans : MAIN 2019, 2012

A Master Budget is called a Summary Budget because it consolidates all departmental budgets into one comprehensive plan. It provides an overview of expected revenues, expenses, and cash flows, enabling executives to make strategic decisions.

193. What is the Master Budget of a business firm?

Ans : SQP 2019

The Master Budget is a summarised form of all the budgets of a firm. According to the Institute of Cost Management Accountants, England,

"The Master Budget, incorporating its component functional budgets, which is finally approved, adopted, and employed."

This budget requires the approval of the Budget Committee before it is put into operation.

194. Mention any two utilities of a Budget.

Ans : COMP 2018

Two main utilities of a budget are :

(i) Budgets make planning purposeful and precise.

(ii) Budgets bring efficiency and economy to the working of a business firm.

195. What is a 'Cash Budget'?

Ans : MAIN 2024, 2016

This budget is a summary statement of the firm's expected inflows and outflows of cash over a future period of time. Its objective is to enable the firm to meet its commitments in time.

196. State two limitations of a budget.

Ans : SQP 2014

(i) Budget provides only approximate estimates. Hence results cannot be measured accurately.

(ii) Another limitation of budgeting is "over-budgeting." This means the minor expenses are worked out in detail. This will not allow the managers to delegate even minor powers to their subordinates.

197. Distinguish between Production Budget and a Sales Budget.

Ans : COMP 2013

Production Budget	Sales Budget
Production budget contains an estimate of the total volume of production for a specific period of time.	Sales budget is a forecast of sales to be achieved during a specified period in future.
The Production Manager is responsible for the preparation and execution of the production budget.	The Sales Manager is directly responsible for this budget

198. Define capital budgeting?

Ans : MAIN 2024

Capital budgeting is the process of evaluating and selecting long-term investment projects requiring substantial capital. It ensures efficient resource allocation to projects that maximize returns and align with the company's goals.

199. What is a Production Budget?

Ans : SQP 2021

The production budget, also called the manufacturing budget, is a budget that determines the quantity of the firm's product that needs to be produced during a budgetary time period.

200. What is a Budget?

Ans : COMP 2021

A budget is a detailed and quantitative plan of operations for some specific future period to attain a given objective. It can be expressed in physical or monetary units. It is the implementation of orderly plans and policies which is based on forecast.

201. What is a Master Budget?

Ans : MAIN 2021

The Master Budget is a summarised form of all the budgets of a firm. According to the Institute of Cost Management Accountants, England, "The Master Budget, incorporating its component functional budgets, which is finally approved, adopted and employed." This budget requires the approval of the Budget Committee before it is put into...

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202. Write short notes on discounting of bills of exchange.

Ans : SQP 2008

Banks provide short-term finance to business firms against bills of exchange. Banks purchase the bills of exchange from the owner at the value less than face value. This is known as Discounting of bills of exchange. The owner can get the cash immediately before the bill date gets due. The holder is responsible in case of bills dishonoured.

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203. Distinguish between equity shares and preference shares.

Ans : COMP 2020

Point of Distinction	Equity Shares	Preference Shares
(i) Nominal Value	The nominal value of equity shares is low.	The nominal value of preference shares is generally high.
(ii) Payment of Dividend	Equity shares receive dividend after the preference shares are paid.	Preference shares get priority over equity shares in case of payment of dividend.

204. Distinguish between shares and debentures.

or

Distinguish between Equity Shares and Debentures.

Ans : COMP 2021, 2019

Point of Distinction	Shares	Debentures
(i) Part of Capital	Owned funds	Debt or loan - borrowed funds
(ii) Status of holders	Owners	Creditors
(iii) Risk	Complete risk borne by holders	Minimum risk in case of secured debenture
(iv) Voting rights	Full voting rights	No voting rights

205. What is 'Discounting of bills of exchange'?

or

Explain 'Preference shares' as a long-term source of capital.

Ans : MAIN 2019

Preference Shares are those shares which carry certain preferential or priority rights. Firstly, dividend at a fixed rate is payable on these shares before any dividend is paid on equity shares. Secondly, at the time of winding up the company, capital is repaid to preference shareholders prior to the return of equity capital. Preference shares do not carry voting rights.

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206. Distinguish between overdraft and cash credit.

Ans : COMP 2007

Aspect	Overdraft	Cash Credit
Definition	A facility allowing withdrawal beyond account balance.	A loan facility against security for working capital.
Purpose	For short-term financial needs or emergencies.	To meet business working capital requirements.
Security	Often unsecured but may require collateral.	Secured against inventory, receivables, or other assets.
Limit	Based on account history or bank policy.	Pre-determined limit based on security value.
Repayment	Flexible, as per overdraft usage and agreement.	Requires regular repayment as per terms.

207. Define Debentures.

Ans : MAIN 2016

Debentures are an important instrument for raising long-term debt capital. A company can raise funds through the issue of debentures, which bear a fixed rate of interest. The debenture issued by a company is an acknowledgment that the company has borrowed a certain amount of money, which it promises to repay at a future date. Debenture holders are, therefore, termed as creditors of the company.

208. Give the meaning of shares.

Ans : SQP 2013

The share capital is the most important requirement of a business. It is divided into a 'number of indivisible units of a fixed amount.' These units are known as 'shares.' According

to Section 2 (84) of the Companies Act, 2013, a share is a share in the share capital of a company and includes stock.

209. What are equity shares?

Ans : COMP 2010

Equity shares, or ordinary shares, represent ownership in a company. Holders have voting rights and earn dividends based on profits, with no fixed returns. They bear higher risks but can gain significant rewards. In liquidation, they are paid after creditors and preference shareholders. Equity shares are essential to a company's capital structure.

210. In what ways do the preference shareholders enjoy a preferential position over equity shareholders?

Ans : MAIN 2024

The preference shareholders enjoy a preferential position over equity shareholders in two ways :

(i) Receiving a fixed rate of dividend, out of the net profits of the company, before any dividend is declared for equity shareholders.

(ii) Receiving their capital after the claims of the company's creditors have been settled, at the time of liquidation, and before equity shareholders.

211. What do you understand by Capital Market?

Ans : SQP 2023

The term capital market refers to facilities and institutional arrangements through which long-term funds, both debt and equity are raised and invested.

212. What is cash credit?

Ans : COMP 2014

Cash credit is a short-term loan facility provided by banks to businesses for meeting working capital needs. It allows borrowing up to a pre-approved limit, secured against assets like inventory or receivables. Interest is charged only on the amount utilized, making it flexible and cost-effective for managing daily operations.

213. Explain the meaning of overdraft.

Ans : MAIN 2011

It refers to a facility in which a customer is allowed to overdraw his current account up to an agreed limit. This facility is generally given to respectable and reliable customers for a short period. Customers have to pay interest to the bank only on the amount overdrawn by them.

214. Write Short notes on Cash Credit.

Ans : MAIN 2021

Cash credit refers to a loan given to the borrower against his current assets like shares, stocks, bonds, etc. A credit limit is sanctioned and the amount is credited in his account. The borrower may withdraw any amount within his credit limit and interest is charged on the amount actually withdrawn.

215. Differentiate between Capital Expenditure and Revenue Expenditure with one example for each.

Ans : SQP 2023

1. Capital Expenditure is spent on acquiring or improving long-term assets for future benefits.
   Example : Purchase of machinery or land.
2. Revenue Expenditure is incurred for day-to-day business operations and is used within the same year.
   Example : Wages paid to workers or repair expenses.

216. Differentiate between Direct Tax and Indirect Tax with one example for each.

Ans : SQP 2010

1. Direct Tax is paid directly by individuals or businesses to the government.
   Example : Income tax or corporate tax.
2. Indirect Tax is collected by intermediaries and passed on to the government.
   Example : GST or customs duty.

217. State two key differences between Debentures and Equity Shares.

Ans : COMP 2014

1. Debentures represent a loan given to a company, whereas Equity Shares represent ownership in a company.
2. Debenture holders receive fixed interest, while equity shareholders receive dividends based on profits.

218. Differentiate between Trading Account and Profit & Loss Account.

Ans : MAIN 2011

1. Trading Account calculates gross profit or gross loss from the sale of goods.
2. Profit & Loss Account determines net profit or net loss after deducting indirect expenses.

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219. Differentiate between Cash Budget and Sales Budget with an example for each.

Ans : SQP 2019

1. Cash Budget estimates cash inflows and outflows for liquidity management.
   Example : Expected cash receipts from customers.
2. Sales Budget forecasts expected sales revenue for a specific period.
   Example : Estimated monthly sales of a product.

220. Differentiate between Deferred Revenue Expenditure and Revenue Expenditure.

Ans : COMP 2005

1. Deferred Revenue Expenditure is a large expense whose benefits last for multiple years.
   Example : Heavy advertising costs.
2. Revenue Expenditure is a regular business expense used within the same year.
   Example : Payment of rent.

221. Give two differences between Fixed Costs and Variable Costs.

Ans : MAIN 2000

1. Fixed Costs remain constant, regardless of production levels.
   Example : Factory rent.
2. Variable Costs change proportionally with production levels.
   Example : Cost of raw materials.

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222. Differentiate between Primary Market and Secondary Market.

Ans : SQP 2006

1. Primary Market is where companies issue new securities for the first time.
   Example : IPO (Initial Public Offering).
2. Secondary Market is where existing securities are bought and sold among investors.
   Example : Stock exchange trading.

223. State two key differences between Direct Expenses and Indirect Expenses.

Ans : COMP 2018

1. Direct Expenses are incurred during production and can be traced to a specific product.
   Example : Wages paid to factory workers.
2. Indirect Expenses are related to general business operations and cannot be traced to a specific product.
   Example : Office rent or advertising costs.

224. Differentiate between Long-Term Finance and Short-Term Finance with one example for each.

Ans : MAIN 2003

1. Long-Term Finance is required for more than 5 years for asset acquisition and expansion.
   Example : Issue of debentures.
2. Short-Term Finance is required for less than 5 years to meet working capital needs.
   Example : Bank overdraft.

225. Differentiate between Capital Profit and Revenue Profit with one example for each.

Ans : SQP 2004

1. Capital Profit arises from the sale of fixed assets or capital investments.
   Example : Profit from selling land or machinery.
2. Revenue Profit is generated from regular business operations.
   Example : Profit from selling goods or services.

226. Differentiate between Capital Loss and Revenue Loss with one example for each.

Ans : COMP 2009

1. Capital Loss occurs from selling fixed assets at a lower price than their book value.
   Example : Loss from selling old machinery below cost.
2. Revenue Loss occurs in the daily business operations.
   Example : Loss due to damaged stock or bad debts.

227. Differentiate between Operating Expenses and Overhead Expenses with one example for each.

Ans : MAIN 2001

1. Operating Expenses are incurred in the core business operations.
   Example : Cost of raw materials.
2. Overhead Expenses are indirect costs required to run the business.
   Example : Office rent or utility bills.

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228. Differentiate between Direct Taxes and Indirect Taxes with one example for each.

Ans : SQP 2012

1. Direct Taxes are paid directly by individuals or businesses to the government.
   Example : Income tax.
2. Indirect Taxes are collected from consumers and paid by businesses.
   Example : GST on goods and services.

229. Differentiate between Equity Shares and Preference Shares with one example for each.

Ans : COMP 2002

1. Equity Shares give voting rights but have no fixed dividend.
   Example : Common stock in a public company.
2. Preference Shares give priority in dividend payments but no voting rights.
   Example : Preferred stock issued with a fixed dividend.

FIVE MARKS QUESTIONS

230. Distinguish between Capital Expenditure and Revenue Expenditure.

Ans : MAIN 2024

Difference between Capital Expenditure and Revenue Expenditure :

Capital Expenditure	Revenue Expenditure
(i) It is incurred for the acquisition or erection of Fixed Assets.	It is incurred for day-to-day conduct of business.
(ii) It increases the earning capacity of the business.	It does not increase the earning capacity of the business.
(iii) Benefit extends more than one year.	Benefit extends up to one year.
(iv) It is shown in the Balance Sheet as an asset.	It is shown as an expense in the Trading or Profit & Loss Account.
(v) It is of a non-recurring nature.	It is recurring in nature.

231. Distinguish between Capital Receipts and Revenue Receipts.

Ans : SQP 2023

Difference between Capital Receipts and Revenue Receipts :

Basis of Difference	Capital Receipt	Revenue Receipt
Meaning	Capital receipts are the income generated from investment and financing activities of the business.	Revenue receipts are the income generated from the operating activities of the business.
Nature	Non-Recurring	Recurring
Term	Long Term	Short Term
Shown in	Balance Sheet	Income Statement
Value of Asset or Liability	Decreases the value of asset or increases the value of liability	Increases or decreases the value of asset or liability

232. Describe any five utilities of a budget.

Ans : COMP 2020, 2017, 2014, 2013

Five utilities of a budget are as follows :

1. Planning Tool : Budgets help in setting financial goals and allocating resources efficiently to achieve organizational objectives.
2. Control Mechanism : They act as a benchmark to monitor actual performance and identify deviations for corrective action.
3. Resource Allocation : Budgets ensure optimal utilization of resources by prioritizing expenditures.
4. Coordination : They integrate various departments by aligning their activities toward common goals.
5. Decision-Making Aid : Budgets provide financial insights to support strategic and operational decisions.

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247. ABC Ltd. had a fire insurance policy for ₹10 lakhs. Due to a small fire, the company suffered ₹5 lakhs in damages. However, the company attempted to claim the full ₹10 lakhs from the insurance provider. The insurer reviewed the claim and found discrepancies in the amount requested versus the actual loss.

1. How much compensation will the insurance company provide?
2. Which principle of insurance applies in this case?

Ans :

1. The insurance company will pay ₹5 lakhs as compensation, covering only the actual loss.
2. The Principle of Indemnity applies, ensuring the insured cannot profit from a loss.

248. A company incurred ₹50,000 in factory rent and ₹1,00,000 in raw material costs. The finance team needed to classify these costs correctly to ensure accurate financial reporting. Misclassification could lead to incorrect pricing strategies and budgeting errors.

1. Classify factory rent and raw material costs as either direct expenses or overhead expenses.
2. Why is this classification important in cost accounting?

Ans :

1. Factory rent is an Overhead Expense, while raw material costs are Direct Expenses.
2. Proper classification helps in determining cost per unit and making pricing decisions.

249. PQR Ltd. needs ₹10 crore for business expansion. The management is considering two financing options-issuing debentures or issuing equity shares. Some board members are concerned about increasing the company's liabilities, while others worry about losing control over decision-making. The finance department has been asked to analyze both options and suggest the best one based on the company's priorities.

1. What are the key differences between debentures and equity shares?
2. Which option is better if the company wants to retain ownership, and why?

Ans :

1. Debentures are borrowed funds requiring fixed interest payments but do not dilute ownership. Equity Shares provide funds without repayment but involve giving ownership rights to investors.
2. If the company wants to retain ownership, debentures are a better option, as they raise funds without affecting shareholder control.

250. Mr. Suresh is a self-employed consultant earning ₹10 lakh per year. He pays income tax on his earnings and also pays GST when purchasing office supplies and business-related goods. Recently, he attended a financial seminar where different types of taxes were discussed. He now wants to understand how these taxes are categorized and how they affect individuals and businesses differently.

1. Classify income tax and GST as either direct taxes or indirect taxes.
2. What is the key difference between direct and indirect taxes?

Ans :

1. Income tax is a Direct Tax because it is paid directly by an individual, while GST is an Indirect Tax as it is collected from consumers through businesses.
2. The key difference is that direct taxes are paid directly by individuals or corporations based on their income, while indirect taxes are collected from consumers when they purchase goods and services.

251. XYZ Ltd. spent ₹10 crore on a nationwide advertising campaign to promote its new product. The campaign will create brand awareness and boost sales for the next three years. The company's finance team is unsure whether to treat this expense as a regular revenue expense for the current year or spread it over multiple years. The accountant suggests referring to standard accounting principles for guidance.

1. How should XYZ Ltd. classify the advertising expenditure in its financial records?
2. What accounting principle applies to this situation?

Ans :

1. The advertising cost should be treated as Deferred Revenue Expenditure, as its benefits will be spread over multiple years.
2. The Matching Principle applies, ensuring that expenses are recorded in the same period as the revenue they help generate.

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(vii) Encourages Saving : With the development of the capital market, the banking and non-banking institutions provide facilities which encourage people to save more. In the less-developed countries, in the absence of a capital market, there are very little savings, and those who save often invest their savings in unproductive and wasteful directions, i.e., in real estate and conspicuous consumption.

(viii) Encouragement to Invest : The capital market facilitates lending to the businessmen and the government and thus encourages investment. It provides facilities through banks and non-bank financial institutions. Various financial assets-like shares, securities, bonds, etc.-induce savers to lend to the government or invest in industry. With the development of financial institutions, capital becomes more mobile, interest rate falls, and investment increases.

(ix) Broadens Investment Opportunity : Capital market raises resources for longer periods of time. Thus, it provides an investment opportunity for people who wish to invest securely for a long period of time. It also balances out the interest rate returns to investors. Instruments such as bonds, equities, and mutual funds, insurance funds, etc., ensure the availability of investment avenues for the general public.

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236. Enumerate any five features of preference shares.

Ans : MAIN 2007

Preference shares have the following features :

(i) Preference shares are a long-term source of finance.

(ii) The dividend payable on preference shares is generally higher than debenture interest.

(iii) Preference shareholders get a fixed rate of dividend irrespective of the volume of profit.

(iv) Preference dividend is not tax-deductible expenditure.

(v) Preference shareholders do not have any voting rights.

(vi) Preference shareholders have the preferential right for repayment of capital in case of winding up of the company.

(vii) Preference shareholders also enjoy the preferential right to receive dividends.

237. Explain the differences between the Primary Market and the Secondary Market. Discuss their roles in the capital market and provide suitable examples for each.

Ans : SQP 2016

The Primary Market, also known as the New Issue Market, is where companies issue new securities to investors to raise funds for business expansion or asset acquisition. For example, a company launching an Initial Public Offering (IPO) operates in the primary market. Its role is to facilitate capital formation and provide businesses with long-term funds.

The Secondary Market, also called the Stock Exchange, deals with trading of existing securities among investors. It provides liquidity to securities and allows price discovery. For instance, trading shares on the National Stock Exchange (NSE) occurs in the secondary market.

Key Differences :

Aspect	**Primary Market**	**Secondary Market**
Nature	Issuance of new securities.	Trading of existing securities.
Objective	Raises fresh capital for companies.	Provides liquidity and marketability to securities.
Example	Initial Public Offering (IPO).	Stock trading on NSE or BSE.

The primary market supports fundraising, while the secondary market ensures liquidity and continuous trading, together strengthening the capital market.

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CASE BASED QUESTION

238. XYZ Ltd. is a growing manufacturing company. Recently, it faced the following financial situations:
Situation 1 : The company plans to purchase a new factory building worth ₹50 lakhs.
Situation 2 : It has to decide whether to issue debentures or equity shares to raise ₹1 crore for expansion.
Situation 3 : The management noticed that raw material costs increased significantly with production, while fixed costs like rent remained unchanged.

Ans : COMP 2016

Trading and Profit & Loss Account
For the year ending on 31st March, 2008

Dr. Cr.

Particulars		Amount (₹)	Particulars		Amount (₹)
To Opening Stock		22,500	By Closing Stock		45,000
To Purchases	86,000		By Sales	1,89,000	
Less : Purchase Return	3,800	82,200	Less : Sales Return	4,000	1,85,000
To Wages		16,000			
To Carriage		700			
To Gross Profit c/d		1,08,600			
		2,30,000			2,30,000
To Salaries		7,500	By Gross Profit b/d		1,08,600
To Discount		1,500	By Commission Received		2,000
To Depreciation		7,000			
To Net Profit		94,600			
		1,10,600			1,10,600

Balance Sheet
As on 31st March, 2008

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital	1,71,300		Furniture		8,000
Add : Net Profit	94,600	2,65,900	Machinery		2,00,000
Creditors		27,000	Debtors		19,000
Bills Payable		5,000	Bills Receivable		17,000
			Cash		8,900
			Closing Stock		45,000
		2,97,900			2,97,900

256. The trial balance given below was prepaid by pratim pal om 31st december. Prepare a trading account and a profit & loss account for the year ending 31st December 2000 and balance sheet as on 21st december 2000.

Trial Balance

Dr. Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
Drawings	1,000	Capital Account	14,400
Premises	7,500	Sales	23,120
Fixtures & Fittings	1,560	Discount Received	330
Opening Stock (1.1.2000)	2,730	Purchase Returns	730
Purchases	15,410	Sundry Creditors	1,700
Discount Allowed	580		

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242. A manufacturing company observed that factory rent remained ₹1 lakh per month, regardless of production levels. However, the cost of raw materials varied significantly, depending on how many products were manufactured. The company's cost analyst wanted to identify the nature of these costs to prepare better cost control strategies. Effective cost management could improve profit margins and pricing decisions.

1. Identify the types of costs represented by factory rent and raw material expenses.
2. How should the company manage these costs effectively?

Ans :

1. Factory rent is a Fixed Cost because it remains constant, while raw material costs are Variable Costs since they change with production levels.
2. The company should negotiate better supplier rates for raw materials and optimize production efficiency to reduce costs.

243. A business owner reviewed the company's financial records and noticed that direct expenses like raw material costs were recorded in one section, while indirect expenses like advertising were recorded separately. The accountant explained that these were part of two different accounts. However, the owner was confused about how these accounts contributed to overall profit calculations.

1. In which financial accounts should direct and indirect expenses be recorded?
2. Why is this distinction important?

Ans :

1. Direct expenses are recorded in the Trading Account, while indirect expenses are recorded in the Profit & Loss Account.
2. This distinction is important to calculate Gross Profit (Trading Account) and Net Profit (Profit & Loss Account) accurately.

244. XYZ Ltd. created a comprehensive financial plan by consolidating all departmental budgets into a Master Budget. However, midway through the year, the company faced a cash shortage due to unexpected delays in customer payments. Employees' salaries and supplier payments were delayed, causing operational disruptions. The finance team realized they had failed to prepare a detailed budget for monitoring cash flow.

1. Which budgets should XYZ Ltd. have focused on to prevent the cash shortage?
2. What is the primary difference between a Master Budget and a Cash Budget?

Ans :

1. The company should have prepared a Cash Budget to track inflows and outflows, preventing liquidity problems.
2. A Master Budget includes all financial plans, while a Cash Budget specifically monitors cash availability for daily operations.

245. ABC Ltd. needed ₹50 crore to construct a new factory and ₹10 lakh for daily operational expenses. The board of directors discussed different financing options but was unsure about which type of funds would be suitable for each requirement. Making the wrong financial decision could increase financial risks or affect working capital.

1. Which type of finance should ABC Ltd. use for the new factory and operational expenses?
2. Give one example of a source for each type of finance.

Ans :

1. The new factory requires Long-Term Finance, while operational expenses require Short-Term Finance.
2. A debenture is an example of long-term finance, while a bank overdraft is an example of short-term finance.

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246. XYZ Ltd. issued new shares to raise ₹100 crores through an Initial Public Offering (IPO). Six months later, investors who bought these shares started trading them among themselves on the stock exchange. The company's finance manager explained the distinction between these transactions to new employees, but some still had doubts.

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1. Which financial market was involved in issuing the new shares?
2. Which financial market was involved in the later trading of the shares?

Ans :

1. The Primary Market was involved in the initial share issuance.
2. The Secondary Market was involved in the later trading of shares among investors.

1. In Situation 1, the company plans to purchase a factory building. Should this expense be classified as capital expenditure or revenue expenditure? Why?
2. In Situation 2, the company is considering raising ₹1 crore. What are the key differences between issuing debentures and equity shares, and which option would you recommend?
3. In Situation 3, the management noticed different cost behaviors. What type of costs are raw material costs and rent, and how should the company manage these costs effectively?

Ans :

1. The purchase of a factory building is a capital expenditure because it is a long-term investment recorded as an asset on the Balance Sheet.
2. (i) Debentures : Fixed interest, no ownership dilution.
   (ii) Equity Shares : No repayment, ownership dilution.
   Recommendation : Debentures if the company wants to retain control; equity shares if it wants to avoid liabilities.
3. (i) Raw Material Costs : Variable costs, increase with production.
   (ii) Rent : Fixed cost, remains constant.
   The company should control raw material costs through better supplier contracts and leverage fixed costs by increasing production.

239. Mr. Raj applied for a business loan of ₹10 lakhs from ABC Bank. While filling out the application, he failed to disclose an existing outstanding loan from another financial institution. After one year, due to financial difficulties, he defaulted on loan repayments. During the bank's investigation, it was found that he had already taken multiple loans and had a low credit score.

1. Will Mr. Raj be eligible for loan restructuring or additional credit? Why?
2. Identify the banking principle that applies to this situation.

Ans :

1. No, Mr. Raj may not be eligible for loan restructuring or additional credit because he provided false information by not disclosing his existing liabilities. Financial institutions assess loan applications based on creditworthiness, and hiding financial obligations violates banking norms.
2. The principle of Utmost Good Faith (Uberrimae Fidei) applies here. Just as in insurance, banking transactions rely on honest disclosure of financial status. Failure to disclose liabilities can lead to rejection of future loan applications and legal consequences.

240. ABC Ltd. purchased new machinery for ₹50 lakhs to enhance production efficiency. It the same year, the company also spent ₹2 lakhs on repairing an old machine that had frequent breakdowns. The company's accountant was unsure whether both expenses should be treated the same way in financial records. The management wanted clarity on how to record these transactions correctly as per accounting principles.

1. How should the purchase of new machinery and repair expenses be classified in accounting?
2. Which accounting principle is followed while recording these expenses?

Ans :

1. The purchase of new machinery is a Capital Expenditure as it is a long-term investment, while the repair cost is a Revenue Expenditure since it is a routine business expense.
2. The Matching Principle applies, ensuring expenses are recorded in the same period as the revenue they help generate.

241. XYZ Ltd. raised ₹5 crore by issuing debentures to expand its production facility. I. the same year, the company earned ₹10 lakhs from rent by leasing out part of its office space. The finance team was preparing the annual financial statements and needed to classify these receipts correctly. Misclassification could affect the company's reported profit and financial position.

1. Classify the amount received from debentures and office rent as either capital receipts or revenue receipts.
2. Why is it important to differentiate between these receipts?

Ans :

1. The ₹5 crore from debentures is a Capital Receipt as it increases liabilities, while the ₹10 lakhs rent is a Revenue Receipt as it is part of routine business income.
2. Differentiating receipts helps in proper financial reporting and ensures that long-term and short-term income are classified correctly.

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252. ABC Ltd. manufactures furniture and has fixed costs of ₹5 lakhs per month for factory rent and management salaries. I. also has variable costs for raw materials and labor, which increase as production rises. The company is launching a new product and needs to decide on pricing to cover all costs while remaining competitive. The management is debating whether to set a higher price or reduce costs to maximize profits.

1. How do fixed costs and variable costs affect pricing decisions?
2. What strategy should the company adopt to improve profitability?

Ans :

1. Fixed costs remain constant regardless of production, so they must be covered by total revenue. Variable costs fluctuate with production, affecting cost per unit and overall pricing.
2. The company can either increase prices to cover fixed costs or reduce variable costs through efficient raw material sourcing to remain competitive while ensuring profitability.

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253. LMN Ltd. issued new shares worth ₹50 crore

1. Which financial market is involved in the initial share issuance, and which one is involved in trading the shares later?
2. Why is the secondary market important for investors?

Ans :

1. The Primary Market is involved in the initial share issuance (IPO), while the Secondary Market facilitates the trading of shares after issuance.
2. The Secondary Market provides liquidity, allowing investors to buy and sell shares easily, ensuring price discovery and market efficiency.

TEN MARK QUESTIONS

254. Following is the Trial Balance of A.B. Chandra as on 31st December, 2019 :

Trial Balance of A.B. Chandra
as on 31.12.2019

Dr.			Cr.
Particulars	**Amount (₹)**	**Particulars**	**Amount (₹)**
Cash in hand	2,000	Discount Received	750
Drawings	2,800	Capital	40,000
Opening Stock (01/01/2018)	4,000	Purchases Returns	1,250
Wages	2,000	Sales	83,000
Cash at Bank	3,500	Creditors	15,000
Insurance	700	Bank Loan	10,000
Trade Expenses	1,200		
Furniture	20,000		
Buildings	61,000		
Salaries	5,000		
Discount Allowed	750		
Sales Returns	3,000		
Purchases	31,250		
Debtors	10,000		
Telephone Charges	1,000		
Bills Receivable	1,800		
	1,50,000		1,50,000

The closing stock was valued at ₹12,000.
You are required to prepare a Trading Account and a Profit & Loss Account for the year ending 31st December, 2019 and a Balance Sheet as on 31st December, 2019.

Ans : SQP 2020

Trading and Profit & Loss Account of A.B. Chandra
for the year ending December 31, 2019

Dr.					Cr.
Particulars		**Amount (₹)**	**Particulars**		**Amount (₹)**
To Opening Stock		4,000	By Sales	83,000	
To Purchases	31,250		Less : Sales Returns	(3,000)	80,000
Less : Purchases Returns	(1,250)	30,000	By Closing Stock		12,000
To Wages		2,000			
To Gross Profit c/d		56,000			
		92,000			92,000
To Insurance		700	By Gross Profit b/d		56,000

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To Trade Expenses		1,200	By Discount Received		750
To Salaries		5,000			
To Discount Allowed		750			
To Telephone Charges		1,000			
To Net Profit		48,100			
		56,750			56,750

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Balance Sheet
as on December 31, 2019

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital	40,000		Cash in hand		2,000
Add : Net Profit	48,100		Cash at Bank		3,500
	88,100		Furniture		20,000
Less : Drawings	(2,800)	85,300	Building		61,000
Creditors		15,000	Debtors		10,000
Bank Loan		10,000	Bills Receivables		1,800
			Closing Stock		12,000
		1,10,300			1,10,300

255. The Trial Balance of Mr. Nath shows the following balances on 31-3-2008

Trial Balance

Dr. Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
Opening Stock	22,500	Sales	1,89,000
Depreciation	7,000	Commission Received	2,000
Carriage	700	Capital	1,71,300
Furniture	8,000	Creditors	27,000
Machinery	2,00,000	Bills Payable	5,000
Cash	8,900	Returns Outwards	3,800
Salaries	7,500		
Debtors	19,000		
Discount	1,500		
Bills Receivables	17,000		
Wages	16,000		
Sales Return	4,000		
Purchases	86,000		
	3,98,100		3,98,100

Closing Stock on 31-3-2008 is ₹45,000.
Prepare a Trading, Profit & Loss A/c for the year ended 31-3-2008 and a Balance Sheet as on 31-3-2008.

233. Mention any five points of distinction between 'Budgeting and Forecasting.'

Ans : MAIN 2019

The difference the budgeting and forecasting are as follows :

Budgeting	Forecasting
Budgeting involves framing of policy and programme to be followed in a future period under planned conditions.	Forecasting means estimation of what is likely to happen. It involves making statements of probable events which are likely to happen under anticipated conditions during a specified period of time.
Budgeting is done usually separately for each accounting period.	Forecasting may be done for a long period of time.
Budgeting begins when forecasting ends. Forecasts are converted into budgets.	Forecasting is a preliminary step for budgeting. It ends with the forecast of likely events.
Budgeting is done for the entire business. Departmental budgets are merged with the master budget.	Forecasting may cover a limited function or activity of business as sales forecast.
Budgeting has limited scope.	Forecasting has wider scope.

234. Briefly explain any five types of budget.

Ans : SQP 2018

The five types of budgets are as follows :

1. Operating Budget : Focuses on the day-to-day operations, including expected revenue and expenses for a specific period.
2. Capital Budget : Deals with long-term investments in assets like equipment, buildings, or projects.
3. Cash Budget : Tracks the inflow and outflow of cash to ensure liquidity and prevent cash shortages.
4. Master Budget : A comprehensive summary combining all individual departmental budgets into one overall plan.
5. Flexible Budget : Adjusts according to changes in activity levels, offering adaptability to varying business conditions.

235. What is a Capital Market? Explain any two of its functions.

Ans : COMP 2019

Functions of Capital Market are as follows :

(i) Mobilization of Savings :Capital market is an important source for mobilizing idle savings from the economy. It mobilizes funds from people for further investment in the productive channels of an economy. In that sense, it activates the ideal monetary resources and puts them in proper investments.

(ii) Capital Formation : Capital market helps in capital formation. Capital formation is net addition to the existing stock of capital in the economy. Through mobilization of ideal resources, it generates savings; the mobilized savings are made available to various segments such as agriculture, industry, etc. This helps in increasing capital formation.

(iii) Proper Regulation of Funds : Capital markets not only help in fund mobilization, but they also help in proper allocation of these resources. It can help with regulation of resources so that it can direct funds in a qualitative manner.

(iv) Service Provision : As an important financial set-up, capital market provides various types of services. It includes long-term and medium-term loans to industry, underwriting services, consultancy services, export finance, etc. These services help the manufacturing sector in a large spectrum.

(v) Link between Savers and Investors : The capital market functions as an important link between savers and investors. It plays an important role in channelizing savings into investments.

(vi) Promotes Economic Growth : The capital market not only reflects the general condition of the economy, but also smooths and accelerates the process of economic growth. Various institutions of the capital market, like non-bank financial intermediaries, allocate the resources rationally in accordance with the development needs of the country. The proper allocation of resources results in the expansion of trade and industry in both public and private sectors, thus promoting balanced economic growth in the country.

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Sales Return	1,020		
Rates	750		
Insurance	210		
Wages	1,250		
Trade Expenses	960		
Sundry Debtors	2,310		
Cash in Hand	650		
Cash at Bank	2,350		
Salaries	2,000		
	40,280		40,280

Closing stock was valued at ₹3,140 on 31st December 2000.

Ans : MAIN 2013

Trading and Profit & Loss Account
For the year ending on 31st March, 2000

Dr. Cr.

Particulars		Amount (₹)	Particulars		Amount (₹)
To Opening Stock		2,730	By Closing Stock		3,140
To Purchases	15,410		By Sales	23,120	
Less : Purchase Return	(730)	14,680	Less : Sales Return	(1,020)	22,100
To Wages		1,250			
To Gross Profit c/d		6,580			
		25,240			25,240
To Salaries		2,000	By Gross Profit b/d		6,580
To Rates		750	By Discount Received		330
To Trade Expenses		960			
To Insurance		210			
To Discount Allowed		580			
To Net Profit		2,410			
		6,910			6,910

Balance Sheet as on 31st December, 2000

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital	14,400		Premises		7,500
Add : Net Profit	2,410		Fixtures & Fittings		1,560
Less : Drawings	1,000	15,810	Sundry Debtors		2,310
Sundry Creditors		1,700	Cash in Hand		650
			Cash at Bank		2,350
			Closing Stock		3,140
		17,510			17,510

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Ans : MAIN 2005

Trading Account of Ms. K. Pant for the year ending March 31, 2021

Dr. Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Purchases 2,75,000		By Sales 4,40,000	
(i) (–) Purchase Returns 14,000	2,61,000	(–) Sales Return 20,000	4,20,000
To Wages	80,000	By Closing Stock	1,00,000
To Opening Stock	45,000		
(ii) To Carriage Inwards	(ii) 18,000		
To Gross Profit Transferred to Profit and Loss Account	(iii) 1,16,000		
	5,20,000		5,20,000

Profit and Loss Account of Ms. K. Pant for the year ending March 31, 2021

Dr. Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Salaries	60,000	By Gross Profit	(iii) 1,16,000
To Repairs	16,000		
To Rent	24,000		
To Bad Debts	10,000		
To Net Profit Transferred to Balance Sheet	(iv) 6,000		
	1,16,000		1,16,000

Balance Sheet of Ms. K. Pant as on March 31, 2021

Liabilities	Amount (₹)	Assets	Amount (₹)
(v) Capital 3,78,000		Plant and Machinery	1,60,000
(–) Drawings 40,000		Debtors	1,40,000
(+) Net Profit (iv) 6,000	3,44,000	Cash in Hand	30,000
Creditors	1,00,000	Bills Receivable	24,000
Bills Payable	40,000	Furniture	30,000
		(vi) Closing Stock	(vi) 1,00,000
	4,84,000		4,84,000

To Net Profit		31,000			
		58,000			58,000

Balance Sheet as on 31st March, 2008

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital	70,000		Machinery		40,000
Add : Net Profit	31,000		Furniture		30,000
Less : Drawings	(5,000)	96,000	Debtors		30,000
Creditors		25,000	Bills Receivable		10,000
Bills Payable		10,000	Stock		25,000
Bank Overdraft		7,000	Cash in Hand		3,000
		1,38000			1,38000

258. From the following Trial Balance of Shri Rai Bahadur, prepare a Trading, Profit & Loss Account for the year ended 31st March, 2012, and Balance Sheet as on that date.

Trial Balance

Dr. Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
Drawings	4,240	Capital Account	32,000
Purchases less returns	15,610	Sales less returns	34,176
Rates & Taxes	388	Sundry Creditors	4,422
Salaries	1,612		
Lighting & Heating	164		
Electric Power	384		
Commission	414		
Insurance	206		
Advertising	214		
Bad Debts	62		
Postage, Telegrams, etc.	826		
Carriage	754		
Opening Stock	6,160		
Wages	7,962		
Land & Building	15,840		
Plant & Machinery	4,034		
Furniture & Fittings	378		
Sundry Debtors	6,082		
Cash at Bank	5,268		
	69,788		69,788

The Closing Stock on 31st March was valued at ₹8,760.

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Balance Sheet
as on 31st March, 2010

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital	70,000		Cash in Hand		6,400
Add : Net Profit	9,250		Investments		10,000
Less : Drawings	(1,200)	78,050	Bills Receivable		3,400
Creditors		15,700	Debtors		22,800
Bills Payable		4,100	Stock		15,250
			Machinery		40,000
		97,850			97,850

260. Use the following Trial Balance to complete the Final Accounts of Ms. K. Pant for the year ending March 31, 2021.

Trial Balance

Particulars	Amount (₹) (Dr.)	Amount (₹) (Cr.)
Capital		3,78,000
Drawings	40,000	
Plant and Machinery	1,60,000	
Creditors		1,00,000
Debtors	1,40,000	
Purchases	2,75,000	
Purchase Returns		14,000
Sales		4,40,000
Sales Returns	20,000	
Cash in Hand	30,000	
Wages	80,000	
Repairs	16,000	
Salaries	60,000	
Opening Stock	45,000	
Rent	24,000	
Bills Receivable	24,000	
Bills Payable		40,000
Bad Debts	10,000	
Carriage Inwards	18,000	
Furniture	30,000	
	9,72,000	9,72,000

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Closing Stock was valued at ₹1,00,000.

Purchases & Sales	80,000	1,20,000
Machinery	40,000	
Returns	4,000	5,000
Commission Received		6,000
Investments	10,000	
Interest on Investments		1,200
Carriage on Purchase	3,000	
Rent & Rates	4,000	
Debtors & Creditors	22,800	15,700
Bills Receivable and Bills Payable	3,400	4,100
Cash in Hand	6,400	
Wages	18,600	
Discount Allowed	5,200	
Royalty Paid	12,000	
Discount Received		6,000
Drawings & Capital	1,200	70,000
	2,28,000	2,28,000

Closing stock was ₹15,250.

Ans : COMP 2011

Trading and Profit & Loss Account
For the year ending on 31st March, 2010

Dr. Cr.

Particulars		Amount (₹)	Particulars		Amount (₹)
To Opening Stock		15,000	By Closing Stock		15,250
To Purchases	80,000		By Sales	1,20,000	
Less : Purchase Return	(5,000)	75,000	Less : Sales Return	(4,000)	1,16,000
To Wages		18,600			
To Carriage on Purchases		3,000			
To Gross Profit c/d		19,650			
		1,31,250			1,31,250
To Salary		2,400	By Gross Profit b/d		19,650
To Rent & Rates		4,000	By Commission Received		6,000
To Discount Allowed		5,200	By Interest on Investments		1,200
To Royalty Paid		12,000	By Discount Received		6,000
To Net Profit		9,250			
Total		32,850	Total		32,850

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Ans : SQP 2013

Trading and Profit & Loss Account
For the year ending on 31st March 2012

Dr. Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock	6,160	By Sales less Returns	34,176
To Purchases less Returns	15,610	By Closing Stock	8,760
To Lighting and Heating	164		
To Electric Power	384		
To Carriage	754		
To Wages	7,962		
To Gross Profit c/d	11,902		
	42,936		42,936
To Rates & Taxes	388	By Gross Profit b/d	11,902
To Salaries	1,612		
To Commission	414		
To Insurance	206		
To Advertising	214		
To Bad Debts	62		
To Postage, Telegram	826		
To Net Profit	8,180		
	11,902		11,902

Balance Sheet as on 31st March, 2012

Liabilities		Amount (₹)	Assets		Amount (₹)
Capital	32,000		Cash at Bank		5,268
Add : Net Profit	8,180		Sundry Debtors		6,082
Less : Drawings	(4,240)	35,940	Furniture & Fittings		378
Creditors		4,422	Plant & Machinery		4,034
			Closing Stock		8,760
			Land & Building		15,840
		40,362			40,362

259. Prepare Trading, Profit & Loss Account, Balance Sheet of M/s Sultan Enterprises for the year ended 31st March, 2010 from the following Trial Balance.

Trial Balance

Particulars	Amount (₹) (Dr.)	Amount (₹) (Cr.)
Opening Stock	15,000	
Salary	2,400	

Trading Account of Ms. K. Pant for the year ending March 31, 2021

Dr. Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Purchases 2,75,000		By Sales 4,40,000	
(i) (–) _____	2,61,000	(–) Sales Return 20,000	4,20,000
To Wages	80,000	By Closing Stock	1,00,000
To Opening Stock	45,000		
(ii) _____	(ii) _____		
To Gross Profit Transferred to Profit & Loss Account	(iii) _____		
	5,20,000		5,20,000

Profit and Loss Account of Ms. K. Pant for the year ending March 31, 2021

Dr. Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
To Salaries	60,000	By Gross Profit	(iii) _____
To Repairs	16,000		
To Rent	24,000		
To Bad Debts	10,000		
To Net Profit Transferred to Balance Sheet	(iv) _____		
	1,16,000		1,16,000

Balance Sheet of Ms. K. Pant as on March 31, 2021

Liabilities	Amount (₹)	Assets	Amount (₹)
(v) _____		Plant and Machinery	1,60,000
(–) Drawings 40,000		Debtors	1,40,000
(+) Net Profit	3,44,000	Cash in Hand	30,000
(iv) _____			
Creditors	1,00,000	Bills Receivable	24,000
Bills Payable	40,000	Furniture	30,000
		(vi) _____	(vi) _____
	4,84,000		4,84,000

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(ii) Retires after completing five or more years of service.

2. It can also be paid before five years in cases such as :
   (i) Death of an employee.
   (ii) Disability due to accident or disease.
3. Calculation of Gratuity :

$$\text{Gratuity} = \frac{15 \times \text{Last Drawn Salary} \times \text{Tenure of Working}}{26}$$

4. The maximum gratuity amount cannot exceed ₹20 lakh

8. PENSION

1. Pension is a financial benefit provided to retired employees or their spouses.
2. Typically, half of the last drawn salary is given as pension.
3. Eligibility :
   (i) The employee must have completed 10 years of service.
   (ii) The employee should be at least 58 years old.

9. GROUP INSURANCE

9.1 Group Health Insurance

1. A medical insurance plan that covers a group of people, such as :
   (i) Employees of an organization.
   (ii) Members of a society or residential apartment association.
2. Covers medical expenses for :
   (i) Employees (insured).
   (ii) Spouse, children, and dependent parents (if applicable).

9.2 Group Life Insurance

1. A type of life insurance where a single contract covers an entire group of people.
2. Provides lump sum benefits to beneficiaries :
   (i) In the event of the employee's death during the policy term.

10. MATERNITY BENEFIT

1. Offered by government and private organizations to employees with less than two surviving children.
2. Duration :
   (i) 26 weeks of fully paid leave for the first two children.
   (ii) 12 weeks for subsequent children.
3. Eligibility : The employee must have worked for at least 80 days to avail of this benefit.

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11. NEW PENSION SCHEME (NPS)

1. A hybrid pension scheme offering both lump sum withdrawals and regular pensions post-retirement.
2. Eligibility :
   (i) Open to private and public sector employees, as well as self-employed individuals.
   (ii) Available to Indian citizens aged 18 to 60 years.
3. Contributions : Employees contribute 9%-12% of their income.
4. Managed by the National Pension Scheme (NPS) account

12. RECRUITMENT

Recruitment is the process of identifying potential employees and encouraging them to apply for positions within an organization.

13. TYPES OF RECRUITMENT

13.1 Internal Sources of Recruitment

Involves utilizing the existing workforce to fill vacant positions through promotions, transfers, or reassignments.

13.2 External Sources of Recruitment

Involves seeking candidates from outside the organization to fill job openings.

14. INTERNAL SOURCES OF RECRUITMENT

14.1 Definition

Reorganization of current staff to occupy vacant positions.

14.2 Advantages

1. Encourages employees to enhance their performance.
2. Simplifies selection and placement processes.
3. Eliminates the need for induction or training.
4. Maintains workforce balance within the organization.
5. Cost-effective as jobs are filled economically.

14.3 Disadvantages

1. Limits the entry of fresh talent.
2. Promotions based on time may result in complacency among employees.
3. Not suitable for new enterprises.
4. Hampers the competitive spirit within the organization.

CHAPTER 4

HUMAN RESOURCES

SUMMARY

1. INDUSTRIAL RELATIONS

Industrial Relations refers to the study of relationships between employers and employees within workplaces. It involves interactions among labor unions, management and government regulators.

1.1 Definition by Industrial Labour Organisation

"Industrial Relations deals with relationships between state entities, employers, workers' organizations, or the internal relationships within the organization itself."

2. OBJECTIVES OF INDUSTRIAL RELATIONS

1. Promoting industrial peace.
2. Protecting the interests of employers, managers, and employees.
3. Resolving disputes within industries.
4. Encouraging democracy in the workplace.
5. Minimizing employee turnover.
6. Safeguarding employees' social and economic welfare.
7. Ensuring better working conditions to enhance production efficiency.

3. TRADE UNIONS

Trade Unions are organizations formed by workers to improve workplace conditions.

3.1 Definitions of Trade Unions

1. Australian Bureau of Statistics : A trade union is "an organization mainly comprising employees focused on negotiating pay rates and employment conditions for its members."
2. Dale Yoder : A trade union is "a long-term association of employees dedicated to advancing and protecting its members' rights and interests."

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4. FUNCTIONS OF TRADE UNIONS

1. Representing workers and negotiating with employers.
2. Offering support and guidance to employees.
3. Providing advice to workers.
4. Training employees for future opportunities.
5. Advocating for workers' rights.
6. Offering financial assistance and protection to workers.

5. SOCIAL SECURITY

1. Social Security refers to benefits provided to employees in India, such as Provident Fund, Retirement Benefits, healthcare, gratuity, insurance, and others.
2. It is governed by the Code on Social Security, 2020.

6. PROVIDENT FUND

1. The Employees' Provident Fund (EPF) is a retirement benefit scheme available to all salaried employees.
2. It is a compulsory, government-managed savings scheme.
3. Both workers and employers contribute to the fund :
   (i) Workers contribute a portion of their salaries.
   (ii) Employers contribute on behalf of employees.
4. The accumulated amount in the fund is disbursed to retirees.
5. Under the Act :
   (i) 12% of the employee's monthly salary is contributed by both the employee and employer.
   (ii) 1% of the salary is contributed by the government.

7. GRATUITY

1. Gratuity is a monetary benefit provided by an employer to an employee who :
   (i) Leaves the job.

257. Prepare the final accounts of Mr. David for the year ended 31-03-08 from the following trial balance :

Trial Balance as on 31-03-08

Particulars	Amount (₹) (Dr.)	Amount (₹) (Cr.)
Stock as on 01-04-07	15,200	
Capital & Drawings	5,000	70,000
Machinery	40,000	
Purchases & Sales	80,000	1,50,000
Debtors & Creditors	30,000	25,000
Wages	20,000	
Salaries	15,000	
Furniture	30,000	
Rent	5,000	
Carriage on Purchases	10,000	
Discounts	2,000	1,200
Carriage on Sales	5,000	
Commission Received		5,000
Returns	5,000	7,000
Bills Receivable and Bills Payable	10,000	10,000
Cash in Hand	3,000	
Bank Overdraft		7,000
	2,75,200	2,75,200

Closing stock was valued at ₹25,000.

Ans : MAIN 2017

Trading and profit & Loss amount
For the year ending on 31st March 2008

Dr. Cr.

Particulars		Amount (₹)	Particulars		Amount (₹)
To Opening Stock		15,200	By Closing Stock		25,000
To Purchases	80,000		By Sales	1,50,000	
Less : Purchase Return	7,000	73,000	Less : Sales Return	(5,000)	1,45,000
To Wages		20,000			
To Carriage on Purchases		10,000			
To Gross Profit c/d		51,800			
		1,70,000			1,70,000
To Salaries		15,000	By Gross Profit b/d		51,800
To Rent		5,000	By Discount		1,200
To Discount		2,000	By Commission		5,000
To Carriage on Sales		5,000			

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5. Frequent transfers can lower productivity.

15. EXTERNAL SOURCES OF RECRUITMENT

15.1 Definition

Hiring individuals from outside the organization.

15.2 Advantages

1. Attracts qualified candidates to apply for roles.
2. Provides a broader selection of candidates for management.
3. Introduces fresh talent to the organization.
4. Fosters healthy competition among existing employees.

15.3 Disadvantages

1. Develops dissatisfaction among existing staff.
2. Lengthy recruitment process.
3. Incurs high costs for advertisement and selection.

16. SELECTION

16.1 Definition

Selection is the process of identifying and choosing the best person out of a number of prospective candidates for a job.

16.2 Selection Tests

Candidates may undergo various employment tests to establish their suitability for the job. The major types of tests include

1. Intelligence Tests : Assess a candidate's IQ or mental alertness.
2. Aptitude Tests : Evaluate an applicant's capacity and potential for development.
3. Proficiency Tests : Confirm if the candidate's claimed skills and abilities are verified through test performance.
4. Interest Tests : Suggest jobs that align with the candidate's satisfaction and interests.
5. Personality Tests : Analyze emotional balance, maturity, and temperament of the candidate.
6. Dexterity Tests : Determine an individual's ability to use hands and body parts in coordination.

17. STEPS IN THE PROCESS OF SELECTION

1. Preliminary Screening
2. Selection Test
3. mployment Interview
4. Reference and Background Check
5. Selection Decision
6. Medical Examination
7. Job Offer
8. Contract of Employment

18. KEY TERMS

18.1 Staffing

The process of finding the right employee with appropriate qualifications or experience and recruiting them to fill a position, role, or job.

18.2 Onboarding

The process of introducing, acclimating, and training a new hire to the workplace and their specific role.

18.3 Job Description

A written statement detailing the duties of a particular job title.

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18.4 Human Resource (HR)

HR refers to the Human Resources department responsible for recruitment, personnel management, and defining organizational policies. HR oversees hiring, positioning, and managing employees within an organization.

18.5 Fringe Benefits

Compensation beyond wages or salary, including benefits such as annual and sick leave, medical insurance, life insurance, retirement benefits, profit sharing, and bonus points.

18.6 Workforce Analysis

An analysis that reveals the composition of employees in a workforce by factors such as protected group status and occupational category.

19. MEANING OF TRAINING

Training is the process of educating and developing employees to enhance their knowledge, skills, attitudes, and understanding required for their current and future roles.

1. Definition by Dale, I. Beach : Training is a structured process where individuals acquire knowledge and skills for a specific purpose.
2. Definition by Julius : Training refers to a process that increases employees' aptitude, skill, and ability to perform specific tasks efficiently.

and expertise the candidate currently possesses, often related to a specific job or trade.

24. Preliminary applications and de-selection tests are techniques of :
(a) Searching
(b) Screening
(c) Planning
(d) Evaluation

Ans : COMP 2015

(b) Screening
Screening involves filtering and shortlisting candidates to determine their suitability for the job. Techniques like preliminary applications and de-selection tests help eliminate unqualified candidates early in the recruitment process, making it more efficient and focused on finding the best-fit candidates.

25. The process of deciding recruitment methods and geographical areas for candidate search is part of :
(a) Strategy development
(b) Recruitment planning
(c) Screening
(d) Evaluation and control

Ans : MAIN 2017

(a) Strategy development
Recruitment planning involves defining the objectives, strategies, and methods for sourcing candidates, including deciding recruitment methods, geographical areas, and timelines. It ensures the recruitment process is systematic and aligns with organizational needs.

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26. What document can be used as legal evidence of employment with an organization?
(a) Contract of employment
(b) Job offer letter
(c) Job advertisement
(d) None of the above

Ans : MAIN 2024

(a) Contract of employment
A contract of employment is a legally binding document that outlines the terms and conditions of employment between the employer and the employee. It serves as legal evidence of employment and can be used in case of disputes or for verification purposes. The other options are not legally binding in the same way.

27. Arrange the steps of the selection process in the correct order :
I. Selection Test
II. Preliminary Screening
III. Employment Interview
IV. Reference and Background Check
(a) I, II, III, IV
(b) II, I, III, IV
(c) IV, II, III, I
(d) III, IV, I, II

Ans : SQP 2023

(b) II, I, III, IV
1. Preliminary Screening : The initial step to shortlist candidates based on basic qualifications and criteria.
2. Selection Test : Assess candidates' skills, aptitude, or other required attributes.
3. Employment Interview : Conduct face-to-face or virtual interviews to evaluate candidates further.
4. Reference and Background Check : Verify candidates' previous employment, character, and credentials before making a final decision.

28. Which of the following statements about training and development is true?
I. Training always leads to the development and growth of workers.
II. Training adds to the skills and abilities of workers.
(a) Only I
(b) Only II
(c) Both I and II
(d) Neither I nor II

Ans : COMP 2022

(c) Both I and II
1. Statement I : Training often leads to the development and growth of workers by enhancing their skills, knowledge, and confidence, enabling them to perform better.
2. Statement II : Training directly adds to the skills and abilities of workers, improving their effectiveness and efficiency in their roles.

29. _____ is the process of increasing the general knowledge and understanding of an employee.
(a) Training
(b) Education
(c) Development
(d) Mentoring

Ans : MAIN 2020

(b) Education

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Ans : COMP 2022

(a) Trade Unions
Trade Unions primarily work to improve the working conditions, wages, and overall welfare of employees. They represent employees in negotiations with employers and advocate for fair treatment, safety, and better benefits in the workplace.

4. Which of the following is not a recognized Trade Union in India?
(a) Bharatiya Khet Mazdoor Union
(b) All India Trade Union Congress
(c) Hindustan Mazdoor Sabha
(d) Bharatiya Mazdoor Sangh

Ans : MAIN 2020

(c) Hindustan Mazdoor Sabha
Hindustan Mazdoor Sabha (HMS) is one of the major trade union federations in India. However, it is occasionally confused with other organizations not specifically focused on representing the broad industrial labor force. Hence, if your source suggests it, there may be context-specific reasoning behind marking it as not recognized in certain cases.

5. Which of these tools are commonly used by trade unions?
(a) Rally
(b) Strikes
(c) Dharnas
(d) All of the above

Ans : SQP 2008

(d) All of the above
Trade unions commonly use tools such as rallies, strikes, and dharnas to voice their demands and address grievances. These methods aim to draw attention to workers' issues, negotiate better working conditions, and influence employers or authorities to take action.

6. The social security schemes in India are governed by :
(a) Code on Social Security 2020
(b) Code on Social Security 2021
(c) Code on Social Security 2022
(d) Code on Social Security 2023

Ans : COMP 2007

(a) Code on Social Security 2020
The Code on Social Security 2020 consolidates and amends various existing labor laws related to social security, such as the Employees' Provident Fund Act, Employees' State Insurance Act, and others. It aims to provide a uniform framework for social security benefits to workers in both organized and unorganized sectors.

7. What percentage of an employee's salary is contributed by the employer as a provident fund?
(a) 1% of the employee's salary
(b) 3.75% of the employee's salary
(c) 7.25% of the employee's salary
(d) 12% of the employee's salary

Ans : MAIN 2016

(d) 12% of the employee's salary
Under the Employees' Provident Fund (EPF) scheme in India, the employer contributes 12% of the employee's basic salary and dearness allowance to the provident fund. The employee also contributes an equal percentage (12%) of their salary to the fund.

8. How many weeks of maternity leave are provided to a mother with two children?
(a) 18 weeks
(b) 12 weeks
(c) 22 weeks
(d) 26 weeks

Ans : SQP 2013

(d) 26 weeks
Under the Maternity Benefit (Amendment) Act, 2017, a mother is entitled to 26 weeks of maternity leave regardless of the number of children she has. However, if a woman already has two or more children, the entitlement reduces to 12 weeks of maternity leave.

It seems the question refers to a mother with two children already. If this is the case, 12 weeks is correct. Please clarify further if needed!

9. How many years of minimum service are required to qualify for gratuity?
(a) 4 years
(b) 5 years
(c) 3 years
(d) 6 years

Ans : COMP 2021

(b) 5 years
An employee becomes eligible for gratuity after completing a minimum of 5 years of continuous service with the employer, ensuring financial support post-employment.

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20. OBJECTIVES OF TRAINING

1. To prepare employees for specific roles by equipping them with the necessary knowledge and skills.
2. To improve employees' efficiency in their current jobs by exposing them to modern concepts and techniques.
3. To develop a second line of capable employees ready to take on higher responsibilities.

21. TYPES OF TRAINING

21.1 Job Training

Provides essential knowledge and skills to employees with no prior job experience to perform specific tasks effectively.

21.2 Induction Training

Introduces and familiarizes new employees with the organization to help them adapt to their new roles and environment.

21.3 Promotional Training

Prepares existing employees for higher positions within the organization by enhancing their skills and knowledge.

21.4 Refresher Training

Updates employees on the latest methods, techniques, and concepts to prevent their skills from becoming outdated.

21.5 Safety Training

Focuses on teaching employees safe work practices, precautions, and techniques to minimize accidents and ensure workplace safety.

22. KEY TERMS

22.1 Upward Mobility

A process of training and educating employees to prepare them for higher-paying and more responsible positions within an organization.

22.2 Skill

The ability or competence that is observable in performing a specific learned task.

22.3 Employee Turnover

Refers to the rate at which employees leave an organization during a particular time frame. It is a key measure of workforce stability.

22.4 Simulation Training

The creation of a realistic learning environment that mimics real-life work scenarios to train employees effectively.

MULTIPLE CHOICE QUESTION

1. _____ refers to the relationship between employers and employees.
(a) Industrial Relations
(b) Corporate Relations
(c) Societal Relations
(d) Trade Relations

Ans : MAIN 2024

(a) Industrial Relations
Industrial Relations refers to the relationship between employers and employees, focusing on workplace dynamics, rights, responsibilities, and conflict resolution. It encompasses collective bargaining, labor laws, and practices to maintain harmony, improve productivity, and ensure fair treatment within organizations, fostering cooperation between management and the workforce.

2. Which of the following is not an objective of Industrial Relations?
(a) Establishing democracy in an industry
(b) Reducing labor turnover
(c) Protecting the social and economic interests of employees
(d) Fighting for the rights of employees

Ans : SQP 2023

(d) Fighting for the rights of employees
Industrial Relations aim to foster harmony, improve productivity, and protect social and economic interests through collaboration and negotiation. While addressing employee rights is a part of it, "fighting" suggests conflict rather than cooperation, which is not the primary objective of Industrial Relations..

3. _____ works to improve the working conditions of employees in an industry.
(a) Trade Unions
(b) Managers
(c) Employers
(d) All of them

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17. What is a disadvantage of external recruitment?
(a) Competitive spirit
(b) Lengthy process
(c) High cooperation level
(d) Easy adjustment

Ans : SQP 2018

(b) Lengthy process
A disadvantage of external recruitment is that it can be a lengthy process. It involves advertising, shortlisting, conducting interviews, and onboarding, which can take significant time and resources compared to internal recruitment. The other options are either advantages or not directly related to external recruitment.

18. External recruitment is economical only if :
(a) New employees are trained.
(b) Advertisements increase.
(c) Existing staff provides referrals.
(d) New employees are inexperienced.

Ans : COMP 2003

(a) New employees are trained.
External recruitment is economical only if the new employees are trained because hiring inexperienced or less skilled candidates often requires significant investment in training. Ensuring that new hires are already equipped with the necessary skills reduces the time and cost associated with onboarding and training, making the process more cost-effective.

19. Campus recruitment is best suited for :
(a) Technical jobs
(b) Professional jobs
(c) Managerial jobs
(d) All of these

Ans : MAIN 2004

(d) All of these
Campus recruitment is widely used to fill technical, professional, and managerial jobs, as educational institutions produce graduates with diverse skill sets suited for various roles. Employers use campus recruitment to hire fresh talent across multiple domains, making it an effective method for all these job categories.

20. One of the advantages of external recruitment is :
(a) Competitive spirit
(b) Lengthy process
(c) Lack of cooperation
(d) Mismanagement

Ans : SQP 2009

(a) Competitive spirit
An advantage of external recruitment is that it fosters a competitive spirit by introducing new talent with diverse skills and ideas into the organization. This can motivate existing employees to improve their performance and adapt to new challenges, enhancing overall productivity and innovation.

21. Which test helps assess a candidate's IQ or mental alertness?
(a) Intelligence
(b) Aptitude
(c) Interest
(d) Personality

Ans : COMP 2001

(a) Intelligence
An intelligence test is designed to assess a candidate's IQ, mental alertness, logical reasoning, and problem-solving abilities. It evaluates their capacity to learn, understand, and apply knowledge effectively, making it a key tool in the recruitment process for roles requiring cognitive skills.

22. A notice on the enterprise's board listing job details is an example of which recruitment method?
(a) TV advertisement
(b) Employment exchange
(c) Campus recruitment
(d) Direct recruitment

Ans : MAIN 2012

(d) Direct recruitment
A notice on the enterprise's board listing job details is an example of direct recruitment, where the organization reaches out directly to potential candidates without intermediaries. It is a simple and cost-effective method often used for hiring workers, clerks, or other immediate job openings.

23. Which test measures the potential to acquire skills, and which test assesses the actual skills possessed?
(a) Aptitude, Trade
(b) Trade, Aptitude
(c) Intelligence, Aptitude
(d) Aptitude, Intelligence

Ans : SQP 2002

(a) Aptitude, Trade
An aptitude test measures a candidate's potential to acquire new skills or develop abilities in the future, while a trade test assesses the actual skills

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10. What is the maximum gratuity amount permissible under the law?
(a) ₹10 Lakhs
(b) ₹14 Lakhs
(c) ₹20 Lakhs
(d) ₹24 Lakhs

Ans : MAIN 2010

(c) ₹20 Lakhs
The maximum gratuity payable under Indian law is capped at ₹20 Lakhs. This ensures employees are compensated fairly without exceeding statutory limits.

11. Which type of selection test evaluates a candidate's ability to learn specific skills and assess their potential abilities?
(a) Personality
(b) Dexterity
(c) Trade
(d) Aptitude

Ans : SQP 2014

(d) Aptitude
Aptitude tests are designed to measure a candidate's ability to learn specific skills and assess their potential abilities.

12. What is the process called that creates a pool of candidates by encouraging prospective employees to apply for jobs in an organization?
(a) Recruitment
(b) Selection
(c) Training
(d) Development

Ans : COMP 2011

(a) Recruitment
Recruitment is the process of attracting prospective employees and encouraging them to apply for jobs. It is a positive process.

13. What is one advantage of the internal source of recruitment?
(a) Reduces scope for fresh talent.
(b) Time-bound promotions lead to lethargy.
(c) Not suitable for new enterprises.
(d) No need for induction or training.

Ans : MAIN 2019

(d) No need for induction or training.
One advantage of internal recruitment is that employees are already familiar with the organization's culture, processes, and operations. This eliminates the need for extensive induction or training, making it cost-effective and time-efficient. Other options listed are limitations, not advantages, of internal recruitment.

14. Which of these is an internal source of recruitment?
(a) Transfer
(b) Advertisement
(c) Employment exchange
(d) Placement agency

Ans : SQP 2005

(a) Transfer
Transfer is an internal source of recruitment because it involves filling a vacancy by moving an existing employee from one position or department to another within the same organization. This utilizes the organization's current workforce.

The other options-advertisement, employment exchange, and placement agency-are examples of external recruitment methods.

15. Which of the following is a disadvantage of the internal source of recruitment?
(a) Motivates employees to improve performance.
(b) Simplifies selection and placement processes.
(c) Frequent transfers reduce productivity.
(d) Maintains workforce balance.

Ans : MAIN 2023

(c) Frequent transfers reduce productivity.
A disadvantage of internal recruitment is that frequent transfers can disrupt the workflow and reduce overall productivity. While internal recruitment motivates employees and simplifies hiring, excessive reliance on internal transfers may lead to instability in departments, affecting efficiency and performance.

16. What is one advantage of external recruitment?
(a) Dissatisfaction among existing staff.
(b) Attracts qualified personnel.
(c) Lengthy process.
(d) High advertisement cost.

Ans : MAIN 2006

(b) Attracts qualified personnel.
External recruitment allows organizations to tap into a broader talent pool, attracting highly qualified and skilled individuals who bring fresh ideas, perspectives, and expertise. This helps in enhancing the overall productivity and competitiveness of the organization. The other options are disadvantages of external recruitment.

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Education is the process of increasing the general knowledge and understanding of an employee. It focuses on broader learning, equipping individuals with knowledge beyond their specific job tasks, and enhancing their overall intellectual capacity and decision-making skills.

30. Which of the following is NOT an objective of training?
(a) Preparing employees for the right jobs by imparting required knowledge and skills.
(b) Enabling employees to work more efficiently by exposing them to new techniques.
(c) Building a second line of competent officers for higher roles.
(d) Increasing the general knowledge and understanding of employees.

Ans : SQP 2008

(d) Increasing the general knowledge and understanding of employees
Training focuses on improving job-specific skills, efficiency, and preparing employees for higher roles. Increasing general knowledge and understanding falls under education, not training. Training is more practical and role-specific, while education has a broader scope.

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31. This type of training creates safety awareness and teaches employees how to use safety devices to prevent and minimize accidents and injuries.
(a) Refresher Training
(b) Safety Training
(c) Remedial Training
(d) Promotional Training

Ans : COMP 2007

(b) Safety Training
Safety training educates employees on working safely, avoiding accidents, and using safety equipment effectively.

32. Remedial training focuses on _____.
(a) Safety at the workplace
(b) Correcting mistakes and shortcomings
(c) Introducing employees to the organization
(d) Preparing employees for higher positions

Ans : MAIN 2016

(b) Correcting mistakes and shortcomings
Remedial training addresses performance gaps and improves employee behavior and skills by correcting errors.

33. What does "Industrial Relations" focus on?
(a) Promoting industrial peace and resolving disputes
(b) Increasing product marketing strategies
(c) Developing new technological advancements
(d) Expanding customer service facilities

Ans : SQP 2013

(a) Promoting industrial peace and resolving disputes
Industrial Relations is a field of study that examines the relationships between employers, employees, labor unions, and government regulators. It aims to create a harmonious work environment by resolving disputes, protecting the interests of all stakeholders, and ensuring industrial peace. This leads to better productivity and stability within organizations.

34. Which of the following is a key objective of Trade Unions?
(a) Increasing company profits
(b) Representing workers and negotiating with employers
(c) Managing stock market investments
(d) Promoting entrepreneurship among workers

Ans : COMP 2021

(b) Representing workers and negotiating with employers
Trade Unions are organizations established to safeguard workers' rights and improve workplace conditions. They play a critical role in collective bargaining, ensuring fair wages, reasonable working hours, and better workplace safety. Additionally, they support employees during grievances, offer advice, and advocate for legislative changes to enhance workers' welfare.

35. What percentage of an employee's salary is contributed by both the employer and employee to the Provident Fund?
(a) 10%
(b) 12%
(c) 15%
(d) 20%

Ans : MAIN 2010

(b) 12%
The Employees' Provident Fund (EPF) is a government-mandated retirement savings scheme. Under this scheme, both the employee and employer contribute 12% of the employee's monthly basic salary and dearness allowance. This

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combined contribution, along with government oversight, ensures a financial safety net for employees upon retirement.

36. What is a key advantage of internal recruitment?
(a) Eliminates the need for fresh talent
(b) Reduces costs associated with hiring
(c) Attracts a wider range of applicants
(d) Lengthens the recruitment process

Ans : SQP 2014

(b) Reduces costs associated with hiring
Internal recruitment refers to filling vacant positions with current employees through promotions or transfers. It is cost-effective as it avoids expenses related to external advertisements, recruitment agencies and onboarding new hires. It also simplifies the process since the organization is already familiar with the employees' capabilities and work ethic.

37. Which type of training is aimed at familiarizing new employees with their workplace?
(a) Safety Training
(b) Induction Training
(c) Promotional Training
(d) Refresher Training

Ans : COMP 2011

(b) Induction Training
Induction Training is designed to introduce new employees to the organization's culture, policies, and expectations. It ensures that they understand their roles, responsibilities, and workplace environment, which helps them adapt quickly and perform efficiently. It is crucial for reducing the learning curve and promoting employee engagement.

38. What is the primary purpose of "Simulation Training"?
(a) To reduce workplace conflicts
(b) To mimic real-life scenarios for effective learning
(c) To introduce new employees to company policies
(d) To manage financial aspects of the organization

Ans : MAIN 2019

(b) To mimic real-life scenarios for effective learning
Simulation Training involves creating realistic work scenarios to train employees. This method is highly effective for jobs that require precision, such as in healthcare or aviation, where hands-on experience in a controlled environment helps employees develop necessary skills, enhance decision-making, and reduce on-the-job errors.

39. What is the eligibility criterion for receiving a pension in India?
(a) Completing at least 5 years of service
(b) Being at least 60 years old
(c) Completing 10 years of service and being 58 years old
(d) Having a minimum salary of ₹50,000

Ans : SQP 2005

(c) Completing 10 years of service and being 58 years old
In India, pension benefits are provided to employees as financial security after retirement. To qualify, the employee must have completed a minimum of 10 years of continuous service and be at least 58 years old at the time of retirement. This ensures financial stability for retirees and their families.

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40. What is a disadvantage of external recruitment?
(a) Brings fresh talent into the organization
(b) Encourages healthy competition among employees
(c) Incurs high costs for advertisement and selection
(d) Provides a broader selection of candidates

Ans : COMP 2022

(c) Incurs high costs for advertisement and selection
External recruitment involves hiring candidates from outside the organization, which requires advertising job openings, conducting interviews, and performing background checks. These activities are often expensive and time-consuming compared to internal recruitment. Additionally, it may lead to dissatisfaction among existing employees due to perceived lack of growth opportunities.

41. What is the maximum gratuity amount permissible under Indian law?
(a) ₹10 lakh
(b) ₹15 lakh
(c) ₹20 lakh
(d) ₹25 lakh

Ans : MAIN 2006

(c) ₹20 lakh

Gratuity is a statutory benefit provided to employees upon completing five or more years of service. The Payment of Gratuity Act, 1972, sets the maximum gratuity limit at ₹20 lakh, ensuring fair compensation for employees upon retirement, resignation, or unforeseen events like death or disability.

42. What does "Upward Mobility" in training refer to?
(a) Hiring new employees for entry-level roles
(b) Preparing employees for higher-paying and responsible positions
(c) Increasing employee turnover rates
(d) Developing new training methods

Ans : SQP 2018

(b) Preparing employees for higher-paying and responsible positions
Upward Mobility is a key objective of training programs focused on employee development. It equips individuals with advanced skills and leadership abilities, enabling them to take on more responsibilities and move into higher-paying roles. This not only boosts employee morale but also benefits the organization by developing a capable workforce.

43. What is the primary disadvantage of internal recruitment?
(a) Attracts a broader range of candidates
(b) Introduces fresh talent to the organization
(c) Limits the entry of new ideas and skills
(d) Reduces dissatisfaction among existing employees

Ans : COMP 2003

(c) Limits the entry of new ideas and skills
Internal recruitment focuses on promoting or transferring existing employees to fill vacant positions. While cost-effective and efficient, it can limit the introduction of fresh perspectives, ideas, and skills from outside the organization. This can lead to stagnation and reduced innovation over time.

44. What is the main purpose of "Safety Training"?
(a) To enhance leadership skills among employees
(b) To improve employees' technical expertise
(c) To teach safe work practices and minimize accidents
(d) To prepare employees for higher responsibilities

Ans : MAIN 2004

(c) To teach safe work practices and minimize accidents
Safety Training is designed to educate employees about workplace hazards, safe practices, and emergency procedures. It aims to reduce the risk of accidents, promote a safe working environment, and ensure compliance with health and safety regulations, protecting both employees and the organization.

45. What is a primary feature of the New Pension Scheme (NPS)?
(a) It offers a fixed monthly pension amount.
(b) It is available only to government employees.
(c) It allows lump sum withdrawals and regular pensions post-retirement.
(d) It is exclusively for individuals above 60 years of age.

Ans : SQP 2009

(c) It allows lump sum withdrawals and regular pensions post-retirement.
The New Pension Scheme (NPS) is a hybrid retirement plan that provides flexibility in receiving benefits. It allows individuals to make contributions during their working years and offers a mix of lump sum withdrawals and regular pensions after retirement. It is open to public and private sector employees and self-employed individuals.

46. What does "Employee Turnover" measure?
(a) The rate at which employees leave an organization
(b) The frequency of promotions within the workforce
(c) The success rate of recruitment processes
(d) The total number of employees hired annually

Ans : COMP 2001

(a) The rate at which employees leave an organization
Employee Turnover refers to the rate at which employees resign or retire from an organization during a specific period. High turnover rates can indicate dissatisfaction, poor work conditions, or lack of growth opportunities, while low turnover rates suggest stability and employee retention.

47. Which of the following benefits is typically included in "Group Health Insurance"?
(a) Retirement benefits for employees
(b) Coverage for employees' medical expenses and dependents
(c) Incentives for achieving performance targets
(d) Life insurance for retired employees

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Ans : MAIN 2012

(b) Coverage for employees' medical expenses and dependents

Group Health Insurance is a type of medical coverage offered to employees of an organization. It provides financial support for medical expenses incurred by employees and, in some cases, their dependents, such as spouses, children and parents, depending on the policy.

48. What is a core objective of "Fringe Benefits"?
(a) To enhance employee engagement and satisfaction
(b) To reduce training costs for the organization
(c) To ensure compliance with labor laws
(d) To simplify the recruitment process

Ans : SQP 2002

(a) To enhance employee engagement and satisfaction

Fringe Benefits include additional compensation such as health insurance, paid leave, retirement plans and bonuses. These benefits help improve employees' quality of life, enhance job satisfaction, and act as incentives to attract and retain talent within the organization.

49. Which of the following tests evaluates a candidate's potential for development?
(a) Intelligence Tests
(b) Proficiency Tests
(c) Aptitude Tests
(d) Personality Tests

Ans : COMP 2015

(c) Aptitude Tests

Aptitude Tests assess an individual's potential and capacity to learn or develop skills necessary for a job. These tests are particularly useful for identifying candidates suitable for training and development, ensuring long-term contributions to the organization.

50. What is the main feature of "Induction Training"?
(a) Prepares employees for leadership roles
(b) Familiarizes employees with the organization's policies and culture
(c) Teaches employees technical skills for new technologies
(d) Focuses on safe work practices and emergency procedures

Ans : MAIN 2017

(b) Familiarizes employees with the organization's policies and culture

Induction Training helps new employees understand the organization's culture, policies, and expectations. This type of training ensures that employees integrate smoothly into the workplace, reducing anxiety and helping them perform effectively in their new roles.

51. What is the maximum maternity leave benefit for employees with two or fewer surviving children?
(a) 12 weeks of fully paid leave
(b) 26 weeks of fully paid leave
(c) 20 weeks of unpaid leave
(d) 18 weeks of partially paid leave

Ans : MAIN 2024

(b) 26 weeks of fully paid leave

Under Indian law, female employees are entitled to 26 weeks of fully paid maternity leave for the birth of their first two children. This benefit ensures both physical recovery and bonding time for mothers, promoting their overall well-being.

52. What does the term "Job Description" refer to?
(a) A list of eligible candidates for a position
(b) A written statement of a job's responsibilities and duties
(c) A summary of an employee's performance review
(d) A guide for creating organizational policies

Ans : SQP 2023

(b) A written statement of a job's responsibilities and duties

A Job Description provides a detailed overview of a specific role within an organization, including its responsibilities, required qualifications, and key performance expectations. It is a critical tool for both recruitment and employee performance management.

53. What is the purpose of "Refresher Training"?
(a) To introduce employees to new organizational policies
(b) To update employees on modern methods and concepts
(c) To prepare employees for leadership roles
(d) To familiarize new hires with workplace safety measures

Ans : COMP 2022

(b) To update employees on modern methods and concepts

Refresher Training is conducted to keep employees updated with the latest advancements, tools

and techniques in their field. It prevents skill obsolescence, enhances productivity and ensures employees remain competitive in their roles by integrating current industry practices.

54. What does "Workforce Analysis" involve?
(a) Analyzing employee performance review scores
(b) Reviewing the financial benefits offered to employees
(c) Examining the composition of employees by factors like group status and category
(d) Monitoring employee attendance and punctuality

Ans : MAIN 2020

(c) Examining the composition of employees by factors like group status and category
Workforce Analysis assesses the diversity, skills, and distribution of employees within an organization. It identifies workforce gaps and ensures that the organization meets both operational and compliance requirements, contributing to better workforce planning and management.

55. Which of the following is a disadvantage of internal recruitment?
(a) Increases the recruitment costs
(b) Discourages employee loyalty and retention
(c) Limits access to fresh perspectives and innovation
(d) Lengthens the recruitment process significantly

Ans : SQP 2008

(c) Limits access to fresh perspectives and innovation
Internal recruitment relies on the existing workforce, which may result in a lack of diversity and innovation. It prevents the organization from benefiting from new skills, ideas, and perspectives that external candidates could bring, potentially hindering long-term growth.

56. Which key benefit is offered under "Group Life Insurance"?
(a) Health insurance coverage for employees and their families
(b) Lump sum benefits to beneficiaries in the event of the employee's death
(c) Retirement benefits for employees with long-term service
(d) Financial assistance for higher education of employees' children

Ans : COMP 2007

(b) Lump sum benefits to beneficiaries in the event of the employee's death
Group Life Insurance provides financial security to employees' families by offering a lump sum payment to the designated beneficiaries if the employee passes away during the policy term. It serves as a significant benefit, ensuring peace of mind for employees and their dependents.

57. What is the minimum service period required to be eligible for gratuity?
(a) 3 years of continuous service
(b) 5 years of continuous service
(c) 10 years of continuous service
(d) 2 years of continuous service

Ans : MAIN 2016

(b) 5 years of continuous service
Gratuity is a monetary benefit provided under the Payment of Gratuity Act, 1972. Employees become eligible for gratuity after completing five years of continuous service with the same employer. However, exceptions are made for cases of death or disability, where gratuity can be paid before completing five years.

58. What is a primary objective of "Promotional Training"?
(a) To prepare employees for higher-level positions
(b) To provide safety instructions for hazardous roles
(c) To teach basic skills to new recruits
(d) To familiarize employees with company policies

Ans : SQP 2013

(a) To prepare employees for higher-level positions
Promotional Training equips existing employees with advanced skills and knowledge required for higher roles within the organization. It enhances employee career progression and ensures the organization has a ready pool of capable individuals to fill leadership positions.

59. Which of the following is a disadvantage of external recruitment?
(a) It introduces fresh perspectives into the organization.
(b) It fosters healthy competition among existing employees.
(c) It can cause dissatisfaction among current employees.
(d) It reduces recruitment costs significantly.

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ensures financial and physical support while accommodating the unique needs of employees with larger families.

72. What is "Staffing" in the context of Human Resources?
(a) The process of eliminating redundant roles in the organization
(b) The process of finding and recruiting employees for roles within the organization
(c) The process of managing employee grievances and conflicts
(d) The process of training employees for leadership positions

Ans : MAIN 2012

(b) The process of finding and recruiting employees for roles within the organization
Staffing involves identifying the workforce needs of the organization, recruiting suitable candidates, and placing them in appropriate roles. This ensures that the organization operates efficiently with the right people in the right positions.

73. You are an HR executive at XYZ Ltd. A new employee needs to be introduced to company policies and procedures.
Which type of training should you provide?
(a) Job Training
(b) Induction Training
(c) Refresher Training
(d) Safety Training

Ans : SQP 2002

(b) Induction Training
Induction training helps new employees familiarize themselves with company policies, procedures, and their work environment.

74. You are assessing a candidate for their ability to handle future managerial tasks.
Which test would you conduct?
(a) Interest Test
(b) Aptitude Test
(c) Personality Test
(d) Dexterity Test

Ans : COMP 2015

(b) Aptitude Test
Aptitude tests evaluate a candidate's capacity for growth and potential for development in managerial or other advanced roles.

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75. An employee at ABC Ltd. retires after 20 years of service. The company needs to provide financial security during retirement.
Which benefit should be provided?
(a) Gratuity
(b) Provident Fund
(c) Pension
(d) Group Life Insurance

Ans : MAIN 2017

(c) Pension
A pension provides financial security to retired employees who have served the organization for a considerable period.

76. An organization wants to minimize workplace accidents by teaching employees safety protocols.
What type of training is required?
(a) Job Training
(b) Safety Training
(c) Induction Training
(d) Refresher Training

Ans : MAIN 2024

(b) Safety Training
Safety training ensures employees are aware of workplace safety measures and precautions to prevent accidents.

77. ABC Ltd. wants to update its employees on the latest industry techniques to improve efficiency.
What training should be provided?
(a) Induction Training
(b) Refresher Training
(c) Promotional Training
(d) Job Training

Ans : SQP 2023

(b) Refresher Training
Refresher training is designed to update employees on the latest techniques and methods to maintain efficiency.

78. You are assessing a worker's hand-eye coordination for an assembly line job.
Which test would you conduct?
(a) Dexterity Test
(b) Personality Test
(c) Aptitude Test
(d) Interest Test

Ans : COMP 2022

(a) Dexterity Test
Dexterity tests measure an individual's ability to use hands and body parts in coordination for specific tasks.

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effectively utilized, satisfied, and aligned with the organization's goals, creating a productive and positive work environment.

66. What is "Dexterity Testing" used for in the recruitment process?
(a) To measure candidates' IQ and mental alertness
(b) To test candidates' ability to use hands and body parts in coordination
(c) To evaluate candidates' interest in specific roles
(d) To assess candidates' leadership potential

Ans : MAIN 2006

(b) To test candidates' ability to use hands and body parts in coordination
Dexterity Testing evaluates a candidate's physical coordination and ability to perform tasks requiring precision and agility. It is particularly relevant for roles that demand fine motor skills, such as assembly line work, surgery, or machine operation.

67. What is the primary purpose of a "Job Offer" in the selection process?
(a) To screen candidates during the initial stages
(b) To formally provide employment terms to the selected candidate
(c) To conduct a medical examination of the candidate
(d) To verify references and background information

Ans : SQP 2018

(b) To formally provide employment terms to the selected candidate
A Job Offer is a formal document that outlines the terms and conditions of employment, including salary, benefits, job title, and responsibilities. It signifies the final stage of the recruitment process, where the employer extends the offer to the selected candidate.

68. What is the purpose of "Medical Examination" in the selection process?
(a) To assess a candidate's leadership abilities
(b) To confirm a candidate's physical fitness for the job
(c) To test a candidate's technical knowledge
(d) To evaluate a candidate's aptitude for development

Ans : COMP 2003

(b) To confirm a candidate's physical fitness for the job
A Medical Examination ensures that the selected candidate meets the physical and health requirements necessary for the job. It helps the organization prevent workplace health risks and ensures that the candidate can perform the job safely and effectively.

69. What is the primary feature of "Onboarding"?
(a) Introducing and acclimating new hires to the organization
(b) Reassessing the skills of existing employees
(c) Providing refresher training to senior employees
(d) Monitoring employee attendance and punctuality

Ans : MAIN 2004

(a) Introducing and acclimating new hires to the organization
Onboarding is the process of welcoming new employees and integrating them into the organization's culture. It involves familiarizing them with policies, procedures, and their job responsibilities, ensuring a smooth transition and enabling them to contribute effectively from the start.

70. What is a key disadvantage of internal recruitment?
(a) Encourages complacency among employees
(b) Promotes unnecessary competition among employees
(c) Increases recruitment costs
(d) Reduces employee satisfaction

Ans : SQP 2009

(a) Encourages complacency among employees
Internal recruitment may lead to complacency as employees may feel that promotions are based on tenure rather than performance. This could reduce motivation for employees to exceed expectations, potentially hampering productivity and innovation within the organization.

71. What is the maximum duration of fully paid maternity leave for employees with more than two children in India?
(a) 26 weeks
(b) 12 weeks
(c) 18 weeks
(d) 20 weeks

Ans : COMP 2001

(b) 12 weeks
For employees with more than two surviving children, the Maternity Benefit Act, 1961, allows a maximum of 12 weeks of fully paid leave. This

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Ans : SQP 2013

(c) A is true, but R is false.
External recruitment involves sourcing candidates from outside the organization, which helps in bringing fresh talent.

101. **Assertion (A) :** Refresher training helps employees stay updated on the latest techniques and methods.
Reason (R) : Refresher training is only for new employees who are not familiar with the organization.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2021

(c) A is true, but R is false.
Refresher training is meant for existing employees to update their knowledge, not for new employees.

102. **Assertion (A) :** Group health insurance covers medical expenses for employees and their dependents.
Reason (R) : Group health insurance is a type of life insurance policy.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2010

(c) A is true, but R is false.
Group health insurance covers medical expenses, but it is not a life insurance policy.

103. **Assertion (A) :** Pension is a form of financial security provided after retirement.
Reason (R) : Pension ensures a regular income to the retiree.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2014

(a) Both A and R are true, and R is the correct explanation of A.
Pension ensures financial security by providing a regular income to retirees.

104. **Assertion (A) :** Safety training aims to minimize workplace accidents.
Reason (R) : Safety training focuses on teaching employees about emergency handling and safe practices.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2011

(a) Both A and R are true, and R is the correct explanation of A.
Safety training helps reduce accidents by educating employees on safe practices and emergency procedures.

105. **Assertion (A) :** Trade unions are formed to protect the interests of workers.
Reason (R) : Trade unions negotiate with employers to improve wages, benefits, and working conditions.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2019

(a) Both A and R are true, and R is the correct explanation of A.
Trade unions aim to protect workers' interests by negotiating better wages, working conditions, and employee rights with employers.

106. **Assertion (A) :** A transfer is typically accompanied by a promotion in designation.
Reason (R) : Transfers are used to shift employees between departments or locations without changes in salary or responsibilities.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2005

(d) A is false, but R is true.

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79. A candidate is being evaluated for their mental alertness and problem-solving skills.
Which test should you use?
(a) Personality Test
(b) Intelligence Test
(c) Dexterity Test
(d) Interest Test

Ans : MAIN 2020

(b) Intelligence Test
Intelligence tests assess a candidate's mental alertness, reasoning abilities, and problem-solving skills.

80. An employee at XYZ Ltd. dies during the policy term. His family seeks financial support from the organization.
Which benefit would apply?
(a) Gratuity
(b) Group Life Insurance
(c) Pension
(d) Provident Fund

Ans : SQP 2008

(b) Group Life Insurance
Group life insurance provides a lump-sum benefit to the beneficiaries in case of an employee's death during the policy term.

81. You are recruiting for a position at your organization and want to attract fresh talent.
Which recruitment source would you use?
(a) Internal Recruitment
(b) External Recruitment
(c) Transfers
(d) Promotions

Ans : COMP 2007

(b) External Recruitment
External recruitment brings fresh talent into the organization by hiring from outside sources like job portals or campuses.

82. A company is encouraging its employees to compete for higher roles through promotions.
Which recruitment source does this represent?
(a) Internal Recruitment
(b) External Recruitment
(c) Campus Recruitment
(d) Job Portals

Ans : MAIN 2016

(a) Internal Recruitment
Internal recruitment involves using existing employees for higher roles through promotions or transfers.

83. An employee retires, and the accumulated contributions made by the employee and employer need to be disbursed.
Which benefit is applicable?
(a) Provident Fund
(b) Gratuity
(c) Pension
(d) Maternity Benefit

Ans : SQP 2013

(a) Provident Fund
Provident Fund is a government-managed savings scheme where contributions from the employee and employer are disbursed upon retirement.

84. An employee applies for 26 weeks of fully paid leave after having a baby.
Which benefit does this fall under?
(a) Group Life Insurance
(b) Maternity Benefit
(c) Pension
(d) Provident Fund

Ans : COMP 2021

(b) Maternity Benefit
Maternity benefit provides 26 weeks of paid leave to eligible employees after childbirth for the first two children.

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85. An organization promotes an employee to a managerial role and provides training to prepare for new responsibilities.
What type of training is this?
(a) Induction Training
(b) Promotional Training
(c) Safety Training
(d) Job Training

Ans : MAIN 2010

(b) Promotional Training
Promotional training is designed to prepare employees for higher roles by enhancing their skills and knowledge.

86. A trade union is negotiating better wages and working conditions for employees.
Which function is the union performing?
(a) Representing Workers
(b) Training Employees
(c) Offering Financial Assistance
(d) Conducting Personality Tests

Ans : SQP 2014

(a) Representing Workers
Representing workers is a key function of trade unions to ensure fair wages and working conditions.

Ans : COMP 2021

(c) It can cause dissatisfaction among current employees.
External recruitment may create dissatisfaction among existing employees who feel overlooked for promotion or growth opportunities. This could lead to resentment, reduced morale, and potential turnover within the organization.

60. What is the eligibility criterion for availing of maternity benefits in India?
(a) Completing 50 days of service
(b) Completing 80 days of service
(c) Completing 6 months of service
(d) Completing 1 year of service

Ans : MAIN 2010

(b) Completing 80 days of service
According to the Maternity Benefit Act, 1961, women employees are eligible for maternity benefits if they have worked for at least 80 days in the 12 months preceding their expected delivery date. This ensures financial security and adequate rest during the maternity period.

61. What is a key advantage of simulation training?
(a) It reduces costs associated with employee training.
(b) It eliminates the need for real-world practice.
(c) It offers hands-on experience in a controlled environment.
(d) It is suitable for all types of jobs without exception.

Ans : SQP 2014

(c) It offers hands-on experience in a controlled environment.
Simulation Training replicates real-world scenarios in a safe, controlled setting. This method is especially valuable in high-risk industries like aviation or healthcare, where employees can practice skills and improve decision-making without endangering lives or resources.

62. What is the typical pension amount provided to retired employees?
(a) 25% of the last drawn salary
(b) 50% of the last drawn salary
(c) 75% of the last drawn salary
(d) 100% of the last drawn salary

Ans : COMP 2011

(b) 50% of the last drawn salary
In India, pensions are typically calculated as 50% of the employee's last drawn salary. This amount provides financial stability post-retirement, helping retirees maintain a decent standard of living and meet their basic needs.

63. What is the minimum age required to enroll in the New Pension Scheme (NPS)?
(a) 16 years
(b) 18 years
(c) 21 years
(d) 25 years

Ans : MAIN 2019

(b) 18 years
The New Pension Scheme (NPS) is available to all Indian citizens between the ages of 18 and 60 years. It allows individuals to contribute to their retirement fund and provides financial security post-retirement. The eligibility criteria ensure that participants are mature enough to make informed financial decisions.

64. What is a key objective of "Training" within an organization?
(a) To maximize employee turnover
(b) To enhance employees' knowledge, skills, and attitudes
(c) To reduce competition within the workforce
(d) To minimize expenses on employee development

Ans : SQP 2005

(b) To enhance employees' knowledge, skills, and attitudes
Training focuses on improving employees' competencies and preparing them for current and future roles. By equipping employees with the necessary knowledge, skills, and attitudes, organizations can increase productivity, foster innovation, and ensure a competitive edge in the market.

65. What does "Human Resource (HR)" primarily oversee in an organization?
(a) Marketing strategies and customer relations
(b) Financial planning and budgeting
(c) Recruitment, personnel management, and employee policies
(d) Procurement of raw materials for production

Ans : MAIN 2023

(c) Recruitment, personnel management, and employee policies
The Human Resource (HR) department manages recruitment, hiring, employee relations, and policy formulation. It ensures that employees are

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(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2023

(c) A is true, but R is false.
Maternity Benefit provides 26 weeks of fully paid leave, but the eligibility criterion is a minimum of 80 days of service, not 180 days.

95. **Assertion (A) :** A promotion involves an increase in responsibilities and salary.
Reason (R) : Promotion is an internal recruitment method to fill vacancies within the organization.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2022

(a) Both A and R are true, and R is the correct explanation of A.
Promotions are part of internal recruitment, and they usually involve increased responsibilities and salary.

96. **Assertion (A) :** Pension provides financial stability to employees after retirement.
Reason (R) : Pension is a one-time payment made upon the employee's retirement.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2020

(c) A is true, but R is false.
Pension provides regular monthly financial benefits after retirement, not a one-time payment.

97. **Assertion (A) :** Induction training helps new employees understand company policies and their roles.
Reason (R) : Induction training is primarily focused on improving technical skills for specific job roles.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2008

(c) A is true, but R is false.
Induction training focuses on introducing new employees to company policies and culture, not technical skills.

98. **Assertion (A) :** Trade unions advocate for better wages and working conditions.
Reason (R) : Trade unions are formed to represent the interests of employers.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2007

(c) A is true, but R is false.
Trade unions represent the interests of workers, not employers.

99. **Assertion (A) :** Gratuity is given to employees who have completed a minimum of five years of continuous service.
Reason (R) : Gratuity is part of the employee's monthly salary.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2016

(c) A is true, but R is false.
Gratuity is a one-time benefit provided to employees after completing five years of service; it is not part of their monthly salary.

100. **Assertion (A) :** External recruitment helps bring fresh talent into the organization.
Reason (R) : External recruitment involves hiring candidates from within the organization.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

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Ans : SQP 2001

(d) A is false, but R is true.
Induction training introduces new employees to their roles and the organization; it is not designed for preparing employees for higher positions.

STATEMENT BASED QUESTIONS

113. When an employee is moved from a junior position to a senior position in the same organization, which of the following is true?
I The employee is being transferred.
II The employee will receive a higher salary.
III The employee is being promoted.
IV The employee's designation will change, but the responsibilities will remain the same.
(a) I and II are true
(b) III and IV are true
(c) II and III are true
(d) I and IV are true

Ans : MAIN 2024

(c) II and III are true
A promotion involves a higher designation and salary. It does not typically involve transferring within the same organization unless the role demands it.

114. When an employee is moved to another branch of the same organization without any change in salary or designation, which of the following is true?
I The employee is being transferred.
II The employee will receive a higher salary.
III The employee is being promoted.
IV The responsibilities will remain the same.
(a) I and II are true
(b) I and IV are true
(c) III and IV are true
(d) II and III are true

Ans : SQP 2023

(b) I and IV are true
A transfer involves moving to a new location without a change in salary or designation and the responsibilities generally remain the same.

115. Identify the principle of insurance based on the given information :
1. The insured should take all reasonable steps to reduce the extent of a loss.
2. The insured cannot act carelessly, assuming the insurer will compensate for all losses.
(a) Indemnity
(b) Insurable interest
(c) Utmost good faith
(d) Mitigation of loss

Ans : COMP 2022

(d) Mitigation of loss
The principle of mitigation of loss requires the insured to act responsibly and take all necessary steps to minimize the damage after an insured event occurs. For instance, if a fire breaks out in a property, the insured must try to control the fire and protect any remaining assets rather than deliberately allowing the fire to spread, assuming the insurer will cover all losses. Failure to take reasonable measures may reduce or void the claim.

116. Identify the principle of insurance based on the given information :
1. The insurer agrees to compensate the insured only to the extent of the loss suffered.
2. The insured cannot make a profit out of an insurance claim.
(a) Indemnity
(b) Insurable interest
(c) Utmost good faith
(d) Contribution

Ans : MAIN 2020

(a) Indemnity
The principle of indemnity ensures that the insured is financially restored to the same position they were in before the loss occurred, without allowing them to profit from the insurance claim. For example, if a car is insured for ₹5,00,000 and is damaged beyond repair, the insurance company will only pay the actual value of the car at the time of the loss, considering depreciation. This prevents overcompensation or misuse of the insurance contract.

117. Identify the principle of insurance based on the given information :
1. The insured cannot claim compensation for the same loss from multiple insurers.
2. The insurers share the loss proportionately if more than one policy covers the same risk.
(a) Subrogation
(b) Contribution
(c) Indemnity
(d) Utmost good faith

Ans : SQP 2008

(b) Contribution

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Transfers are changes in location or department but do not involve promotions or salary hikes.

107. **Assertion (A) :** Gratuity is paid to employees only when they retire.
Reason (R) : Gratuity can also be paid if the employee leaves after completing five years of continuous service.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2006

(d) A is false, but R is true.
Gratuity can be paid upon retirement or if the employee resigns after completing the required five years of service.

108. **Assertion (A) :** External recruitment brings in new perspectives and ideas to the organization.
Reason (R) : External recruitment involves sourcing talent from outside the organization.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2018

(a) Both A and R are true, and R is the correct explanation of A.
External recruitment introduces fresh talent from outside, bringing new ideas and perspectives to the organization.

109. **Assertion (A) :** Safety training is mandatory for all employees.
Reason (R) : Safety training helps employees understand safe practices and handle emergencies effectively.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2003

(a) Both A and R are true, and R is the correct explanation of A.
Safety training is essential in workplaces to minimize accidents and equip employees to handle emergencies.

110. **Assertion (A) :** Maternity benefits are provided to all women employees regardless of their work duration.
Reason (R) : Maternity benefits are granted only if the employee has worked for a minimum of 80 days.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2004

(d) A is false, but R is true.
Maternity benefits are provided only to women employees who meet the eligibility criteria of working for at least 80 days.

111. **Assertion (A) :** Group life insurance provides financial security to the employee's family in case of death during the policy term.
Reason (R) : Group life insurance is a single contract covering an entire group of employees.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2009

(a) Both A and R are true, and R is the correct explanation of A.
Group life insurance provides a lump sum benefit to the employee's family and is a single contract for all employees.

112. **Assertion (A) :** Induction training prepares employees for higher positions in the organization.
Reason (R) : Induction training is meant to familiarize new employees with the organization's policies and environment.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

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87. An organization provides medical insurance covering employees and their dependents.
Which type of benefit does this represent?
(a) Group Health Insurance
(b) Group Life Insurance
(c) Provident Fund
(d) Pension

Ans : COMP 2011

(a) Group Health Insurance
Group health insurance covers employees and often extends to their families for medical expenses.

88. A worker at ABC Ltd. is unable to perform their job due to an accident and is eligible for a financial benefit.
Which benefit applies?
(a) Pension
(b) Gratuity
(c) Group Insurance
(d) Provident Fund

Ans : MAIN 2019

(b) Gratuity
Gratuity can be provided in cases of disability, even if the employee has not completed five years of service.

89. An employee is planning for retirement and wants both a lump sum and a regular pension.
Which scheme should they opt for?
(a) Provident Fund
(b) New Pension Scheme (NPS)
(c) Gratuity
(d) Group Insurance

Ans : SQP 2005

(b) New Pension Scheme (NPS)
The New Pension Scheme offers flexibility by providing both lump-sum withdrawals and regular pensions after retirement.

90. You are assessing an employee's satisfaction and career preferences to suggest the most suitable job role.
Which test should you use?
(a) Interest Test
(b) Proficiency Test
(c) Dexterity Test
(d) Aptitude Test

Ans : COMP 2008

(a) Interest Test
Interest tests help align an employee's career preferences with roles that provide satisfaction and fulfillment.

91. An organization wants to boost workplace competition by hiring skilled candidates from outside.
What recruitment source should they use?
(a) Internal Recruitment
(b) External Recruitment
(c) Transfers
(d) Promotions

Ans : MAIN 2006

(b) External Recruitment
External recruitment introduces fresh talent, fostering competition among existing employees.

92. A worker at XYZ Ltd. needs monetary support after 5 years of service.
Which benefit applies?
(a) Pension
(b) Gratuity
(c) Group Life Insurance
(d) Maternity Benefit

Ans : SQP 2018

(b) Gratuity
Gratuity is a financial benefit provided to employees after completing 5 years of continuous service.

ASSERTION AND REASON

93. **Assertion (A) :** The Provident Fund is a compulsory retirement savings scheme.
Reason (R) : Both employees and employers contribute to the Provident Fund.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is not the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2024

(a) Both A and R are true, and R is the correct explanation of A.
The Provident Fund is a government-managed compulsory retirement savings scheme in which both employees and employers contribute.

94. **Assertion (A) :** Maternity Benefit provides 26 weeks of fully paid leave for women employees.
Reason (R) : The Maternity Benefit is applicable only for women employees who have completed 180 days of service.

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The principle of contribution ensures fairness when the same subject matter is insured by multiple policies with different insurers. If a loss occurs, the insured cannot claim the full amount from each insurer. Instead, the insurers will contribute proportionally based on their respective policy limits. For example, if a property is insured with two insurers for ₹3,00,000 and ₹7,00,000, respectively and a ₹1,00,000 loss occurs, the insurers will pay ₹30,000 and ₹70,000, maintaining proportionality.

118. Identify the principle of insurance based on the given information :
1. After paying the claim, the insurer steps into the shoes of the insured.
2. The insurer can recover the loss amount from a third party responsible for the loss.

(a) Contribution
(b) Subrogation
(c) Indemnity
(d) Insurable interest

Ans : COMP 2007

(b) Subrogation
The principle of subrogation allows the insurer, after compensating the insured, to claim the loss amount from the third party that caused the damage. For example, if a car insured under a policy is damaged due to another driver's negligence, the insurer pays the insured for the repairs. However, the insurer then has the right to recover the amount from the negligent driver. This prevents the insured from profiting twice from the same loss (once from the insurer and again from the third party).

119. Identify the principle of insurance based on the given information :
1. The insured must have a financial or legal interest in the subject matter of insurance.
2. The insured benefits from the existence and suffers loss from the destruction of the subject matter.

(a) Insurable interest
(b) Indemnity
(c) Contribution
(d) Subrogation

Ans : MAIN 2016

(a) Insurable interest
The principle of insurable interest ensures that the insured has a legitimate financial or legal stake in the subject matter of insurance. Without this interest, the insurance contract becomes void. For example, a person can insure their own property or vehicle but cannot insure a stranger's car because they would not suffer any financial loss if the stranger's car is damaged. This principle prevents speculative or fraudulent insurance claims.

120. Identify the principle of insurance based on the given information :
1. The contract between the insurer and the insured is based on full disclosure of facts.
2. Any misrepresentation can lead to the contract being void.

(a) Indemnity
(b) Utmost good faith
(c) Insurable interest
(d) Mitigation of loss

Ans : SQP 2013

(b) Utmost good faith
The principle of utmost good faith (uberrima fides) requires both the insurer and the insured to disclose all material facts truthfully during the formation of the insurance contract. For example, when purchasing health insurance, the insured must disclose any pre-existing medical conditions. Failure to do so may result in the insurer voiding the policy. Similarly, the insurer must clearly explain the terms and exclusions of the policy to the insured.

121. Identify the principle of insurance based on the given information :
1. The insured must disclose all material facts related to the subject matter.
2. Concealment of any material fact can void the contract.

(a) Contribution
(b) Insurable interest
(c) Utmost good faith
(d) Indemnity

Ans : COMP 2021

(c) Utmost good faith
Utmost good faith ensures transparency in the insurance contract by requiring both parties to share all relevant information. For example, if a person with a heart condition does not disclose their medical history when applying for life insurance, the insurer may refuse to honor a claim later. This principle protects both parties and ensures fair dealings.

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122. Identify the principle of insurance based on the given information :
1. The insured must take necessary steps to prevent further damage after a loss occurs.
2. The insured cannot intentionally worsen the damage.

(a) Contribution
(b) Subrogation
(c) Mitigation of loss
(d) Indemnity

Ans : MAIN 2010

(c) Mitigation of loss
The principle of mitigation of loss emphasizes that the insured must act responsibly to reduce or prevent further loss or damage. For instance, if a pipe bursts in a house, the insured should attempt to shut off the water supply to minimize water damage. Failure to take such actions may result in reduced compensation or rejection of the claim by the insurer. This principle ensures fairness and prevents moral hazards.

123. Identify the principle of insurance based on the given information :
1. The insurer compensates the insured to the extent of the financial loss suffered.
2. The insured cannot claim more than the actual loss.

(a) Indemnity
(b) Contribution
(c) Subrogation
(d) Insurable interest

Ans : SQP 2014

(a) Indemnity
The principle of indemnity ensures that the insured is not allowed to profit from an insurance claim. For example, if a shop insured for ₹10,00,000 suffers damages worth ₹5,00,000, the insurer will pay only ₹5,00,000, not the full insured amount. This principle ensures that insurance serves as a protection mechanism and not as a means to gain financially.

124. Identify the principle of insurance based on the given information :
1. The insured must have a financial stake in the subject matter.
2. Without financial interest, the insurance contract is void.

(a) Contribution
(b) Utmost good faith
(c) Insurable interest
(d) Indemnity

Ans : COMP 2011

(c) Insurable interest
The principle of insurable interest ensures that the insured stands to lose financially if the insured object is damaged or destroyed. For example, a person cannot insure their neighbor's house as they would not suffer any loss from its destruction. This principle prevents fraudulent or speculative insurance practices.

125. Identify the principle of insurance based on the given information :
1. The insurer can recover the amount paid to the insured from the third party responsible for the loss.
2. This applies only after compensating the insured.

(a) Subrogation
(b) Contribution
(c) Mitigation of loss
(d) Indemnity

Ans : MAIN 2019

(a) Subrogation
The principle of subrogation allows the insurer to step into the insured's shoes after settling the claim. For instance, if a car accident occurs due to the negligence of a third party, the insurer may compensate the insured for damages and then recover the amount from the negligent third party. This ensures that the insured is not compensated twice for the same loss.

126. Identify the principle of insurance based on the given information :
1. An insured cannot profit by claiming the same loss under multiple insurance policies.
2. Losses are shared proportionately by all insurers covering the same risk.

(a) Contribution
(b) Indemnity
(c) Subrogation
(d) Mitigation of loss

Ans : SQP 2024

(a) Contribution
The principle of contribution applies when the same risk is insured with multiple insurers. In such cases, the insured cannot claim the entire loss from each insurer. Instead, all insurers share the liability proportionally. For example, if a property is insured for ₹2,00,000 with one insurer and ₹3,00,000 with another, and a loss of ₹50,000 occurs, the liability will be split as ₹20,000 and ₹30,000, respectively.

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- ✓ Same pattern followed

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127. Identify the principle of insurance based on the given information :
1. The insured cannot recover more than the actual loss from multiple insurers.
2. The insurers share the liability proportionately.

(a) Subrogation
(b) Contribution
(c) Indemnity
(d) Utmost good faith

Ans : COMP 2023

(b) Contribution
This principle ensures fairness and prevents the insured from recovering more than the actual loss. It also protects insurers by distributing the liability among all the policies that cover the same risk.

128. Identify the principle of insurance based on the given information :
1. The insurer agrees to restore the insured to their financial position before the loss occurred.
2. The insured cannot claim more than the actual loss suffered.

(a) Indemnity
(b) Contribution
(c) Subrogation
(d) Mitigation of loss

Ans : MAIN 2022

(a) Indemnity
The principle of indemnity ensures that insurance compensates only for the actual loss incurred. For example, if a house valued at ₹10,00,000 suffers damage worth ₹3,00,000, the insured will receive compensation of ₹3,00,000, regardless of the insured amount. This principle prevents unjust enrichment and upholds the purpose of insurance as a risk management tool.

129. Identify the principle of insurance based on the given information :
1. The insurer compensates the insured for losses caused by the insured event.
2. The insured must not intentionally cause or exaggerate the loss.

(a) Contribution
(b) Indemnity
(c) Mitigation of loss
(d) Subrogation

Ans : SQP 2020

(c) Mitigation of loss
This principle requires the insured to act responsibly in minimizing losses after the occurrence of an insured event. For example, in case of a fire, the insured must attempt to save unaffected assets rather than letting the fire spread. If negligence is proven, the insurer may reduce or deny the claim.

130. Identify the principle of insurance based on the given information
1. Both parties must disclose all material facts honestly.
2. Concealment or misrepresentation leads to the contract being void.

(a) Utmost good faith
(b) Contribution
(c) Insurable interest
(d) Subrogation

Ans : COMP 2008

(a) Utmost good faith
The principle of utmost good faith ensures mutual trust between the insurer and the insured. The insured is obligated to disclose all material facts that could affect the insurer's decision to issue the policy, such as health conditions or prior claims. Similarly, the insurer must clearly explain the policy terms, exclusions, and coverage to the insured. Failure to disclose such facts, like hiding a pre-existing disease, may render the contract void.

131. Identify the principle of insurance based on the given information :
1. The insured benefits from the existence of the insured object.
2. The insured suffers financial loss due to the destruction of the insured object.

(a) Contribution
(b) Insurable interest
(c) Subrogation
(d) Indemnity

Ans : MAIN 2007

(b) Insurable interest
The principle of insurable interest ensures that the insured has a legitimate stake in the subject matter of insurance. For instance, a person insuring their own house or car benefits from their existence and suffers a financial loss if they are destroyed. Without this financial interest, the contract would be speculative and invalid.

132. Identify the principle of insurance based on the given information :
1. The insurer compensates only for losses caused by the insured risk.

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Ans : MAIN 2020

(b) False
Refresher training updates existing employees on new techniques and practices, while induction training is for new employees.

155. A provident fund is disbursed to employees monthly after retirement.
(a) True
(b) False

Ans : SQP 2008

(b) False
The provident fund is a lump sum amount disbursed to employees upon retirement, not monthly.

156. A transfer involves a change in salary and designation.
(a) True
(b) False

Ans : COMP 2007

(b) False
A transfer involves moving an employee to a different location or department without a change in salary or designation.

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157. Promotional training is meant to prepare employees for higher positions.
(a) True
(b) False

Ans : MAIN 2016

(a) True
Promotional training equips employees with the skills and knowledge needed to take on higher-level responsibilities.

158. Gratuity is paid even if an employee has not completed five years of service.
(a) True
(b) False

Ans : SQP 2013

(b) False
Gratuity is typically paid only after an employee has completed five years of continuous service, except in cases of death or disability.

159. A trade union negotiates employment conditions on behalf of workers.
(a) True
(b) False

Ans : COMP 2021

(a) True
Trade unions represent workers in negotiations for better wages, benefits, and working conditions.

160. Dexterity tests are used to measure a candidate's mental alertness.
(a) True
(b) False

Ans : MAIN 2010

(b) False
Dexterity tests measure physical precision and coordination, while intelligence tests measure mental alertness.

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161. A maternity benefit can be availed only after an employee has worked for 180 days.
(a) True
(b) False

Ans : SQP 2014

(b) False
To avail of maternity benefits, an employee must have worked for at least 80 days, not 180 days.

162. Group life insurance provides a lump sum payment to the employee upon retirement.
(a) True
(b) False

Ans : COMP 2011

(b) False
Group life insurance provides a lump sum payment to the beneficiaries in case of the employee's death during the policy term.

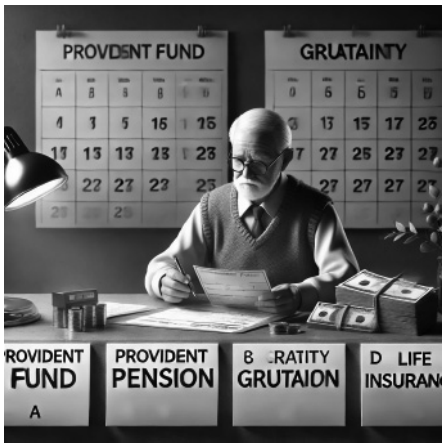
163. The purpose of refresher training is to prevent employees' skills from becoming outdated.
(a) True
(b) False

Ans : MAIN 2019

(a) True
Refresher training ensures that employees remain updated on the latest practices, technologies, and techniques relevant to their roles.

PICTURE BASED QUESTIONS

137. Identify the type of benefit depicted in the scenario below :



(a) Provident Fund
(b) Pension
(c) Gratuity
(d) Life Insurance

Ans : MAIN 2024

(b) Pension
Pension refers to a financial benefit provided to retired employees or their spouses. Typically, it involves monthly payouts (half of the last drawn salary) after retirement, ensuring financial security.

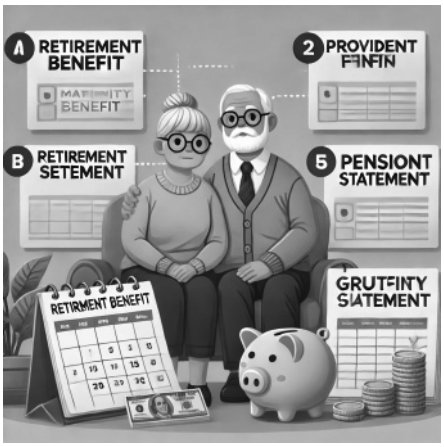
138. Identify the type of social security benefit depicted in the picture below :

(a) Provident Fund
(b) Maternity Benefit
(c) Pension
(d) Group Insurance

Ans : SQP 2023

(b) Maternity Benefit
Maternity benefit provides fully paid leave to eligible employees for up to 26 weeks to ensure the health and well-being of the mother and child. This benefit is part of the social security framework.

139. Identify the type of social security benefit depicted in the image below :



(a) Maternity Benefit
(b) Gratuity
(c) Pension
(d) Provident Fund

Ans : SQP 2009

(c) Pension
Pension is a financial benefit provided to retired employees or their spouses, typically as monthly payments. It ensures financial security after retirement and is part of the social security framework.

140. Identify the social security benefit depicted in the image below :

(a) Provident Fund
(b) Maternity Benefit
(c) Group Health Insurance
(d) Pension

Ans : COMP 2001

(c) Group Health Insurance

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175. Briefly explain any two types of selection tests.

Ans : COMP 2002

Intelligence Test This test assesses reasoning ability, comprehension, and IQ, helping employers evaluate a candidate's mental sharpness.
Aptitude Test It measures the potential of a candidate to learn specific skills and perform tasks effectively in the job role.

176. State two advantages of internal recruitment.

Ans : SQP 2020

Internal recruitment motivates employees to improve their performance, knowing promotion opportunities are available.
It simplifies the recruitment process since employees are already familiar with the organization's culture and practices, reducing the need for induction or extensive training.

177. State two advantages of campus recruitment as an external source of recruitment.

Ans : MAIN 2020, 2019, 2011

Campus recruitment provides access to a pool of young and fresh talent with updated knowledge and skills.
It helps organizations hire entry-level candidates who can be trained and molded to align with the company's goals, ensuring long-term benefits.

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178. Selection is a negative process. Explain.

Ans : SQP 2018, 2012

Selection is considered negative because it focuses on rejecting unsuitable candidates at each stage. The number of rejected candidates is significantly higher than those selected, as the process eliminates individuals who do not meet the organization's requirements

179. Distinguish between Recruitment and Selection.

Ans : COMP 2017, 2009

Recruitment	Selection
Recruitment is a positive process.	Selection is a negative process.
Its aim is to create a large pool of candidates.	Its aim is to eliminate all unsuitable candidates.

180. State two disadvantages of internal recruitment.

Ans : MAIN 2017

1. Inbreeding : Internal recruitment restricts fresh talent and ideas from entering the organization, leading to a lack of innovation and outlook diversity.
2. Limited Choice : Unsuitable candidates may be promoted due to the restricted pool, causing inefficiencies in higher positions.

181. Explain any two sources of external recruitment.

Ans : SQP 2017

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1. Advertisement : Organizations use advertisements in newspapers and journals to announce job vacancies, specifying the qualifications and requirements for applicants.
2. Employment Exchange : Government-run employment exchanges register job seekers and match them with vacancies notified by employers, helping to tackle unemployment.

182. Mention any four sources of external recruitment.

Ans : COMP 2016

Four sources of external recruitment are
1. Advertisement
2. Employment exchanges
3. Placement agencies
4. Campus recruitment

183. What is meant by recruitment?

Ans : MAIN 2015

Recruitment is the process of searching for and encouraging prospective employees to apply for job vacancies in an organization.

184. How do group discussions help in the selection process of suitable candidates for employment?

Ans : SQP 2014, 2010

Group discussions help assess leadership qualities, behavior, and decision-making skills. The selection panel observes candidates' interactions, cooperation, and aggressiveness, ranking them based on their merit and suitability for the job.

185. Distinguish between internal recruitment and external recruitment.

Ans : COMP 2012

The difference between internal recruitment and external recruitment are as follows

Ans : MAIN 2024

(a) True
Gratuity is a monetary benefit given by the employer as a token of appreciation for an employee's service, provided they have completed at least five years of continuous service.

145. The Maternity Benefit Act provides 26 weeks of paid leave to women employees with less than two surviving children.
(a) True
(b) False

Ans : SQP 2023

(a) True
The Maternity Benefit Act allows 26 weeks of paid leave for women employees with up to two surviving children to ensure health and well-being.

146. The Employees' Provident Fund (EPF) is a voluntary savings scheme for employees.
(a) True
(b) False

Ans : COMP 2022

(b) False
The EPF is a compulsory savings scheme where both employers and employees contribute a fixed percentage of the employee's salary.

147. Induction training introduces new employees to the organization's policies and culture.
(a) True
(b) False

Ans : COMP 2012

(a) True
Induction training helps new employees understand their roles, responsibilities, and organizational policies, making it easier for them to adjust to the new environment.

148. A pension is a one-time payment made to an employee at the time of retirement.
(a) True
(b) False

Ans : MAIN 2002

(b) False
A pension provides regular financial benefits to retired employees, typically as monthly payments, and is not a one-time payment.

149. Group health insurance provides medical coverage only for the employees and not for their families.
(a) True
(b) False

Ans : SQP 2015

(b) False
Group health insurance often provides medical coverage for employees and their dependents, including spouses and children.

150. External recruitment involves hiring candidates from within the organization.
(a) True
(b) False

Ans : COMP 2017

(b) False
External recruitment involves sourcing candidates from outside the organization to fill vacancies.

151. Trade unions work to protect the rights and interests of workers.
(a) True
(b) False

Ans : MAIN 2024

(a) True
Trade unions advocate for better wages, working conditions, and the overall welfare of workers.

152. The New Pension Scheme (NPS) is available only to public sector employees.
(a) True
(b) False

Ans : SQP 2023

(b) False
The NPS is open to public and private sector employees as well as self-employed individuals aged 18-60 years.

153. Safety training helps employees minimize workplace accidents and injuries.
(a) True
(b) False

Ans : COMP 2022

(a) True
Safety training equips employees with knowledge of safe work practices and techniques to prevent accidents.

154. Refresher training is designed to introduce new employees to the organization.
(a) True
(b) False

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Group Health Insurance provides medical coverage for employees and their families, covering expenses such as hospitalizations and treatments. The card and stethoscope represent healthcare benefits provided as part of social security.

141. Identify the type of benefit depicted in the image below :

(a) Pension
(b) Provident Fund
(c) Gratuity
(d) Group Insurance

Ans : MAIN 2012

(b) Provident Fund
The Provident Fund is a government-managed retirement savings scheme where both the employer and employee contribute a portion of the employee's salary. The fund is accumulated during the employee's working life and disbursed at retirement, as indicated by the symbols in the image.

142. Identify the social security benefit depicted in the image below :

(a) Gratuity
(b) Provident Fund
(c) Pension
(d) Maternity Benefit

Ans : SQP 2002

(a) Gratuity
Gratuity is a monetary benefit provided by an employer to an employee as a token of appreciation for their service. It is typically given upon retirement or completion of a minimum service period and is calculated based on the employee's salary and years of service.

143. Identify the type of training depicted in the image below :

(a) Job Training
(b) Induction Training
(c) Refresher Training
(d) Safety Training

Ans : COMP 2015

(b) Induction Training
Induction training is designed to introduce new employees to the organization, its culture, policies, and their specific roles. This training ensures that employees adjust quickly and effectively to their new environment.

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TRUE FALSE QUESTIONS

144. Gratuity is a financial benefit provided to an employee after completing five or more years of service.
(a) True
(b) False

TWO MARK QUESTIONS

164. What is meant by Industrial Relations?

Ans : MAIN 2024

Industrial Relations involves the relationship between employers, employees, labor unions, and management within a workplace. According to the Industrial Labour Organisation, it refers to interactions between state entities, employers, workers' organizations, or relationships within the organization itself.

165. Define Trade Unions.

Ans : SQP 2011

As per Dale Yoder, a trade union is a long-term group of employees formed to advance and protect its members' rights and interests in the workplace.

166. How do trade unions safeguard their members' interests?

Ans : COMP 2019

Trade unions safeguard their members' interests by representing them, negotiating with employers, and using political or legal pressure. They also organize strikes to ensure fair wages and prevent members from being paid below prevailing rates.

167. What is Pension?

Ans : MAIN 2005

Pension refers to the financial benefit, generally half of the last salary, provided to retired employees who have served for at least 10 years and are aged 58 or above.

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168. Explain Gratuity.

Ans : SQP 2006

Gratuity is a financial reward offered by employers to employees upon leaving the job or retiring after a minimum service period of five years.

169. List any two social security schemes available in India.

Ans : COMP 2018

Provident Fund, Pension, Group Health Insurance, Group Life Insurance, or Gratuity (Any two).

170. What is an application blank, and how is it used in the selection process?

Ans : MAIN 2003

An application blank is a commonly used tool for gathering information from job applicants. It includes personal history, academic details, professional accomplishments, and other relevant information. Organizations use this as a personal record for evaluating candidates effectively.

171. Define external recruitment and explain the role of employment exchanges and recommendations in it.

Ans : SQP 2004

External recruitment involves searching for candidates outside the organization.
Employment Exchanges Government-run services that help match job seekers with employers, particularly for skilled and unskilled jobs.
Recommendations Referrals from employees, friends, or relatives that help in finding suitable candidates for roles.

172. How do placement agencies assist in external recruitment?

Ans : COMP 2009

Placement agencies help match job demands with suitable candidates by maintaining a database of profiles. They conduct extensive screenings and recommend qualified candidates to clients. These agencies also attract top executives by offering competitive job opportunities.

173. Briefly explain three steps of the selection process.

Ans : MAIN 2001

Preliminary Screening Eliminates unqualified applicants by reviewing application forms.
Selection Tests Assess candidates' skills, aptitude, and personality traits.
Employment Interview A detailed discussion to evaluate the candidate's suitability for the job.

174. State any two disadvantages of internal recruitment.

Ans : SQP 2012

Internal recruitment limits the entry of fresh talent, which can lead to stagnation and lack of innovation. Additionally, employees may become complacent or lethargic due to reliance on time-bound promotions, reducing overall productivity and enthusiasm within the organization.

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2. Losses caused by uninsured risks are not covered.

(a) Indemnity
(b) Subrogation
(c) Principle of causa proxima
(d) Utmost good faith

Ans : SQP 2016

(c) Principle of causa proxima
The principle of causa proxima (nearest cause) determines that the insurer is liable only for losses directly caused by the insured risk. For example, if a ship is insured against storms and it sinks due to a storm, the insurer compensates the insured. However, if the ship sinks due to negligence, the loss is not covered as it is not an insured risk.

133. Identify the principle of insurance based on the given information :

1. The insured must have a financial stake in the subject matter at the time of loss.
2. Without such an interest, the insurance contract becomes void.

(a) Contribution
(b) Insurable interest
(c) Subrogation
(d) Indemnity

Ans : COMP 2013

(b) Insurable interest
Insurable interest requires the insured to have a direct financial or legal relationship with the subject matter of the insurance at the time of the loss. For example, a person cannot claim insurance for a car they sold before the loss occurred. This principle ensures that the insured has a legitimate reason to protect the insured property.

134. Identify the principle of insurance based on the given information :

1. The insurer takes on the insured's rights after paying the claim.
2. This helps the insurer recover the loss amount from a third party responsible for the damage.

(a) Subrogation
(b) Contribution
(c) Insurable interest
(d) Indemnity

Ans : MAIN 2021

(a) Subrogation
The principle of subrogation allows the insurer to claim reimbursement from a third party responsible for the insured's loss after compensating the insured. For example, if a car accident is caused by a negligent third party, the insurer compensates the insured for repairs and then seeks recovery from the responsible third party. This principle ensures fairness and prevents the insured from claiming compensation twice.

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135. Identify the principle of insurance based on the given information :

1. The insurer agrees to pay for the actual financial loss incurred by the insured.
2. The insured cannot claim more than the actual amount of loss suffered.

(a) Contribution
(b) Indemnity
(c) Subrogation
(d) Utmost good faith

Ans : SQP 2010

(b) Indemnity
The principle of indemnity ensures that the insured is compensated only to the extent of the financial loss suffered, without allowing any profit. For instance, if a shop insured for ₹5,00,000 incurs damages worth ₹2,00,000, the insured will receive ₹2,00,000, not the full insured amount. This principle ensures insurance serves as a risk mitigation tool and prevents misuse of the policy.

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136. Identify the principle of insurance based on the given information :

1. The insurer compensates the insured only if the loss occurs due to a covered peril.
2. The insurer is not liable for losses caused by unrelated factors.

(a) Causa proxima
(b) Indemnity
(c) Subrogation
(d) Contribution

Ans : COMP 2014

(a) Causa proxima
The principle of causa proxima, or the nearest cause, emphasizes that the insurer will compensate only if the direct or proximate cause of the loss is covered under the policy. For instance, if a building insured against fire is damaged by an earthquake, the insurer is not liable unless the policy explicitly includes earthquake coverage. This principle ensures clarity in claims settlement.

Basis for Comparison	Internal Recruitment	External Recruitment
Meaning	Hiring candidates already employed within the organization.	Recruiting candidates externally, outside the organization.
Basis	Merit cum seniority	Merit cum qualification
Time Taken	Quick process	Lengthy process
Induction Training	Not required	Required

186. What do you mean by On-the-job training and Off-the-job training?

Ans : MAIN 2019

1. On-the-job Training : This type of training involves placing the trainee in a regular job setting and teaching them the necessary skills while they perform the actual tasks.
2. Off-the-job Training : In this method, the trainee is separated from the job environment and trained in a simulated or classroom setting to learn the skills required for the job.

187. Name and explain the type of training designed to correct mistakes.

Ans : SQP 2018

Remedial Training This training aims to correct mistakes and shortcomings in an employee's work behavior or job performance. It is used to eliminate defects and teach proper methods for performing tasks effectively.

188. Mention any two objectives of training.

Ans : COMP 2014

1. To prepare employees for specific roles by imparting the required knowledge and skills.
2. To enable employees to work more efficiently in their current roles by exposing them to modern concepts and techniques.

189. What is meant by orientation or induction training?

Ans : MAIN 2014

Induction training introduces new employees to the organization's culture, policies, and procedures, helping them adjust quickly to their new roles and work environment.

190. Give any two methods used for on-the-job training.

Ans : SQP 2013

1. Job Rotation
2. Coaching

191. Mention two methods of off-the-job training.

Ans : COMP 2012

1. Vestibule Training
2. Classroom Training

192. Name four important methods used for training.

Ans : MAIN 2012

1. Vestibule Training
2. Apprenticeship Training
3. Orientation or Induction Method
4. Job Rotation Method

193. Define training.

Ans : MAIN 2024

1. Edwin B. Flippo : Training is the act of increasing the knowledge and skills of an employee for performing a specific job.
2. Dale S. Beach : Training is an organized procedure to acquire knowledge and skills for a definite purpose, aimed at helping employees apply knowledge and skills effectively.

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194. Explain vestibule method of off-the-job training.

Ans : MAIN 2015

Vestibule training involves teaching employees how to use equipment in a simulated environment rather than the actual work floor. It is commonly used for jobs requiring sophisticated machinery and ensures employees are adequately trained before handling real equipment.

195. Explain job rotation as the method of on-the-job training.

Ans : SQP 2017

Job rotation involves moving employees across different departments or roles within an organization. It helps employees gain diverse experience, understand various job functions, and develop a broader skill set.

231. Negotiating Better Conditions : Secures improved pay, working hours, and other employment terms. Trade unions play a vital role in fostering fair labor practices and creating a healthier work environment.
What is the Provident Fund, and how is it managed?

Ans : COMP 2022

1. Definition : The Employees' Provident Fund (EPF) is a government-mandated savings scheme designed to provide financial security to employees after retirement.
2. Contributions :
   (i) Employees contribute 12% of their monthly salary.
   (ii) Employers contribute an equivalent amount.
   (iii) The government adds 1% of the salary.
3. Fund Management : Contributions are pooled into a fund, which accumulates interest over time.
4. Benefits :
   (i) The accumulated amount is disbursed to employees upon retirement or resignation.
   (ii) Provides financial stability post-retirement, ensuring a secure future.
5. Importance : Encourages disciplined savings for employees and ensures compliance with the Code on Social Security, 2020.

232. Describe the benefits and eligibility criteria of the Maternity Benefit Act.

Ans : MAIN 2020

1. Benefits :
   (i) Employees are entitled to 26 weeks of fully paid leave for the first two children.
   (ii) For subsequent children, 12 weeks of paid leave is provided.
   (iii) Additional provisions may include paid time off for medical check-ups.
2. Eligibility :
   (i) The employee must have worked for at least 80 days in the organization before claiming this benefit.
   (ii) The benefit applies only to employees with fewer than two surviving children.

233. Significance : Ensures financial and emotional support during a critical phase in an employee's life, promoting better work-life balance and well-being.
Compare internal and external recruitment by listing their advantages and disadvantages.

Ans : SQP 2008

1. Internal Recruitment :
   Advantages :
   (i) Cost-effective as it reduces hiring expenses.
   (ii) Motivates employees by offering career growth opportunities.
   (iii) Simplifies the selection process since the candidates are already familiar with the organization.
   Disadvantages :
   (i) Limits the inflow of fresh talent and new ideas.
   (ii) May lead to complacency among employees if promotions are based on tenure rather than merit.
2. External Recruitment :
   Advantages :
   (i) Attracts skilled and qualified candidates, introducing fresh perspectives.
   (ii) Encourages healthy competition among existing employees.
   Disadvantages :
   (i) Costly due to advertisement and recruitment agency fees.
   (ii) Lengthy process requiring more time for selection and onboarding.

234. What are the major types of selection tests and what do they evaluate?

Ans : COMP 2007

1. Intelligence Test : Measures a candidate's IQ, logical reasoning, and mental alertness to assess their ability to learn and adapt.
2. Aptitude Test : Evaluates the candidate's potential to acquire new skills and perform well in specific roles.
3. Proficiency Test : Verifies whether the candidate possesses the required technical or practical skills.
4. Interest Test : Aligns a candidate's preferences and interests with job roles for better satisfaction.
5. Personality Test : Assesses emotional stability, temperament, and compatibility with workplace culture.
6. Dexterity Test : Examines physical coordination and hand-eye coordination, especially for manual tasks.

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210. What is one disadvantage of external recruitment?

Ans : COMP 2006

External recruitment incurs high costs for advertisement and selection.

211. What is the purpose of a personality test in the selection process?

Ans : MAIN 2018

A personality test analyzes emotional balance, maturity, and temperament to assess a candidate's suitability for a role.

212. What is the key objective of job training?

Ans : SQP 2003

The objective of job training is to provide essential knowledge and skills to employees with no prior experience, enabling them to perform specific tasks effectively.

213. What does "upward mobility" mean in the context of training?

Ans : COMP 2004

Upward mobility refers to training and educating employees to prepare them for higher-paying and more responsible positions within an organization.

214. Define employee turnover.

Ans : MAIN 2009

Employee turnover refers to the rate at which employees leave an organization during a particular time frame. It is a key measure of workforce stability.

215. What is the key purpose of safety training?

Ans : SQP 2001

Safety training teaches employees safe work practices and precautions to minimize workplace accidents and ensure safety.

FIVE MARKS QUESTIONS

216. Explain any five types of selection tests.

Ans : MAIN 2019, 2017, 2012

1. Intelligence Test : This psychological test measures an individual's intelligence quotient (IQ). It evaluates reasoning ability, comprehension, decision-making skills, and capacity for judgment.
2. Aptitude Test : Aptitude tests assess a candidate's potential to learn and acquire new skills. They indicate a person's future success and suitability for specific roles.
3. Proficiency Test : These tests measure existing skills and abilities possessed by the candidate, such as trade or technical skills. They confirm if the candidate's stated skills match their actual performance.
4. Interest Test : Interest tests help identify patterns of interest in various fields, showcasing the areas where the candidate shows enthusiasm and dedication. These tests align job roles with the candidate's preferences.
5. Personality Test : Personality tests analyze emotional balance, maturity, and temperament. They explore the candidate's emotional responses, behavior, and character traits to assess their fit for the job.
6. Dexterity Test : Dexterity tests evaluate a candidate's physical coordination and ability to use their hands and other body parts effectively. These are commonly used for industrial or technical roles.
7. Trade Test : These tests measure the candidate's knowledge and proficiency in a specific trade or occupation. Unlike aptitude tests, trade tests focus on the candidate's current skills rather than potential abilities.

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217. Define Industrial Relations. State its objectives.

Ans : MAIN 2024

Industrial Relations refers to the interaction between employers, management, and employees within an organization during their employment.

1. Objectives of Industrial Relations :
2. Establishing industrial peace.
3. Safeguarding the interests of employers, managers, and employees.
4. Resolving disputes in industries.
5. Encouraging democracy in the workplace.
6. Reducing employee turnover.
7. Protecting employees' social and economic welfare.
8. Improving working conditions to reduce production loss.

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240. Mr. Ramesh applied for a Provident Fund withdrawal after resigning from his job at XYZ Pvt. Ltd. He had been working in the organization for only three months. His application for withdrawal was declined because he failed to meet the required contribution period. Feeling disappointed, Mr. Ramesh approached the HR department to inquire about the rules and regulations governing Provident Fund withdrawals.

1. Why was his request denied?
2. What is the purpose of the Provident Fund scheme?

Ans :

1. Employees must work for a longer period to accumulate sufficient contributions in their PF accounts.
2. To provide retirement benefits to salaried employees.

241. ABC Ltd., a well-known IT company, recently introduced a Group Health Insurance policy for its employees. The policy aimed to ensure that employees and their families were covered for medical expenses, enhancing their social security. During the policy briefing, Mr. Sanjay, an employee, inquired whether the plan would include his dependent parents along with his spouse and children. The HR team clarified the coverage details to address his query.

1. Will Mr. Sanjay's parents be covered under the policy?
2. What type of insurance is being discussed?

Ans :

1. Yes, if the policy explicitly includes dependent parents under the coverage.
2. Group Health Insurance.

242. Ms. Shalini, a dedicated employee at XYZ Pvt. Ltd., recently gave birth to her third child and applied for Maternity Benefits from her employer. She was expecting the same level of benefits she had received during her first two pregnancies, which included 26 weeks of fully paid leave. However, her application was partially approved, and she was informed that the duration of leave would be reduced for the third child. Confused, she approached HR to understand the policy.

1. Will Ms. Shalini receive 26 weeks of fully paid leave? Why?
2. What is the eligibility criterion for maternity leave?

Ans :

1. No, because the maximum duration of 26 weeks applies only to the first two children. For the third child, she is eligible for 12 weeks of leave.
2. The employee must have worked for at least 80 days in the organization.

243. Mr. Ajay was offered a managerial role at a prestigious multinational company. As part of the selection process, he had to undergo various stages, including a medical examination. The company stated that this step was mandatory to ensure that all candidates were physically and mentally fit to handle the job responsibilities. Mr. Ajay successfully cleared the medical examination and was offered the role.

1. Why was the medical examination necessary?
2. Identify the step in the selection process being described.

Ans :

1. To ensure that the candidate is physically and mentally fit for the role.
2. Medical Examination.

244. XYZ Ltd. introduced a New Pension Scheme (NPS) for its employees to ensure financial stability after retirement. The scheme offered flexibility in terms of lump sum withdrawals and regular pensions. Mr. Ravi, a retired employee aged 62, approached the HR department to enroll in the scheme. However, he was informed that he did not meet the eligibility criteria due to his age. Mr. Ravi was disappointed and wanted to understand why he was excluded.

1. Will Mr. Ravi be eligible to join the NPS? Why?
2. What type of scheme is the NPS?

Ans :

1. No, because the scheme is only available to individuals aged 18 to 60 years.
2. A hybrid pension scheme offering lump sum withdrawals and regular pensions.

245. Mr. Akash, an employee of XYZ Construction Ltd., was provided with Safety Training during his onboarding. The training emphasized the importance of following safety protocols while operating heavy machinery. Despite this, Mr. Akash often ignored these protocols, stating that they slowed down his work. One day, due to his negligence, he suffered a serious hand injury

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(iii) However, it may bring a flood of applications, including unsuitable ones.

4. Employment Exchange :
   (i) These are government-run exchanges that match job seekers with employers for skilled and unskilled roles.
   (ii) They serve as a link between labor supply and demand but may sometimes refer unsuitable candidates due to outdated records.
5. Placement Agencies and Management Consultants :
   (i) These agencies maintain a database of candidates and match them with job openings.
   (ii) They specialize in recruiting for technical, managerial, and professional roles.
   (iii) They charge a fee and provide valuable support, especially for higher-level recruitment.
6. Campus Recruitment :
   (i) Organizations visit colleges, universities, and vocational schools to recruit fresh graduates.
   (ii) This method is ideal for technical, professional, and managerial jobs and helps attract young and skilled talent.
7. Recommendations of Employees :
   (i) Current employees recommend their friends or relatives for job vacancies.
   (ii) These candidates are considered reliable since they are referred by employees familiar with the organization's culture.
8. Labour Contractors :
   (i) Contractors maintain contact with laborers and provide workers to the organization when required.
   (ii) They are particularly useful for hiring unskilled laborers at short notice.
   (iii) However, if the contractor leaves, the workers may follow, creating challenges for the organization.
9. Advertising on Television :
   (i) Job vacancies are advertised on television, detailing the job's requirements and the organization's profile.
   (ii) This method is gaining popularity for its ability to reach a large audience quickly.
10 Web Publishing :
   (i) Websites like Naukri.com and LinkedIn provide platforms for organizations to post job vacancies.
   (ii) These websites allow job seekers and employers to connect efficiently.
   (iii) This is an increasingly popular and modern recruitment method.

222. Give any five disadvantages of internal sources of recruitment.

Ans : MAIN 2020

1. Lack of Fresh Talent :Internal recruitment reduces opportunities for bringing in fresh talent, leading to the risk of "inbreeding" and lack of innovation within the organization.
2. Employee Complacency : Employees may become complacent or lethargic if they are assured of time-bound promotions, reducing overall motivation and productivity.
3. Not Suitable for New Enterprises : Newly established organizations cannot rely on internal recruitment as they lack an existing workforce to promote or transfer.
4. Hampers Competition : Internal recruitment may dampen the competitive spirit among employees, as the process often favors seniority over merit.
5. Frequent Transfers Reduce Productivity : Constantly transferring employees between departments or locations can disrupt operations and lower productivity.
6. Limited Pool of Qualified Candidates : Internal recruitment limits the pool of candidates to existing employees, which may not always fulfill the requirements for certain roles.
7. Not Suitable for Creative Roles : Positions requiring innovation and creative thinking cannot always be filled through internal recruitment, as new perspectives are often required.

223. Give any five disadvantages of external sources of recruitment.

Ans : SQP 2008

Five disadvantages of external sources of recruitment are as follows

1. Dissatisfaction Among Existing Staff : External recruitment may cause dissatisfaction among existing employees who might feel their promotion opportunities are being overlooked.
2. Lengthy Process : Recruitment through external sources takes a long time as organizations must notify vacancies, collect

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applications, and conduct multiple selection rounds.

3. Costly Process : Advertising vacancies and processing applications involves significant expenditure, making external recruitment expensive.
4. Lack of Cooperation : Existing employees may resist cooperating with newly recruited staff, especially when higher positions are filled externally. This may create workplace tension.
5. Maladjustment Issues : Newly recruited employees may struggle to adjust to the organization's culture, which could lead to dissatisfaction or higher attrition rates.

224. Give any five reasons due to which external sources of recruitment are suitable.

Ans : COMP 2007

1. Access to Talent and Skills : External recruitment allows organizations to hire individuals with specific skills, knowledge, and talent unavailable internally.
2. New Ideas and Techniques : Hiring externally introduces fresh ideas, updated techniques, and innovative approaches, improving organizational processes.
3. Unbiased Selection : Candidates selected externally are chosen based on merit, ensuring fairness and avoiding preconceived notions.
4. Human Resource Mix : External hiring brings in individuals with diverse experiences and perspectives, enhancing the human resource mix.
5. Broadens Existing Employees' Skills : New hires can inspire existing employees to improve their skills and adapt to better practices, fostering growth.
6. Cost-Effectiveness for Entry-Level Roles : Entry-level recruits can often be hired at lower salaries, keeping employee costs within limits.
7. Qualitative Improvement : External hires bring qualitative improvements to the organization, especially for roles requiring expertise or creativity.

225. Explain any two methods of 'off-the-job training'.

Ans : MAIN 2017

Two methods of pff-the job training are as follows:

1. Vestibule Training : This method involves training employees in a simulated environment that closely resembles the actual workplace. Specialized equipment, materials, and tools similar to those used on the job are provided for practice. It is typically used for roles requiring sophisticated machinery or technical expertise. Employees learn practical skills in a safe environment without risking workplace operations.
2. Classroom Training : This training takes place in a formal classroom setup where employees are taught through lectures, presentations, and group discussions. It focuses on theoretical knowledge, skill development, and understanding organizational policies. Classroom training is ideal for imparting knowledge about general work practices, company culture, and role expectations.

226. Describe the importance of training to employees and employers.

Ans : SQP 2016, 2012

Training is beneficial to both employees and employers due to the following

1. Higher Productivity : Trained employees perform their tasks more effectively, leading to better quality and quantity of work.

   This improves organizational performance and profitability.
2. Reduced Supervision : Skilled employees become self-reliant and need minimal supervision. Managers can save time and focus on strategic tasks instead of constant monitoring.
3. Better Safety : Training ensures that employees are aware of safety guidelines and equipment handling, reducing workplace accidents. This creates a safer work environment.
4. Economy in Operations : Training minimizes wastage of resources and improves the efficient handling of materials, reducing overall operational costs.
5. Higher Morale : Employees gain confidence and motivation through training, which leads to reduced absenteeism and lower turnover rates.
6. Career Advancement : Training equips employees with advanced skills, making them eligible for promotions and leadership roles.
7. Organizational Growth : Well-trained employees ensure the organization remains competitive and flexible in adapting to changes, contributing to long-term stability.

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227. Explain any five methods of 'on-the-job training'.

Ans : MAIN 2015

Five methods of 'on-the-job training are as follows:

1. Job Rotation : Employees are shifted across different roles or departments to gain diverse experience. It enhances their understanding of various job functions and develops a multi-skilled workforce.
2. Coaching : Supervisors or senior employees provide one-on-one guidance to trainees. The focus is on improving specific skills and resolving challenges faced during work.
3. Mentoring : A senior employee acts as a mentor, sharing their expertise and providing constructive feedback to trainees. This helps employees grow professionally and adapt to their roles.
4. Internships :Trainees work alongside experienced staff to gain hands-on experience and practical knowledge in their field. Internships are often used in professional or technical roles to bridge the gap between academic learning and real-world application.
5. Apprenticeship Training :Trainees work under skilled professionals for an extended period to learn a specific trade or craft. It combines theoretical learning with practical application and is widely used in technical and skilled labor roles.

228. Enumerate any five objectives of training.

Ans : COMP 2015

Five objectives of training are as follows

1. To Provide Job Knowledge : Training equips employees with the knowledge and skills required for their specific roles.
2. To Improve Productivity :
   By enhancing employees' efficiency and reducing errors, training directly contributes to better organizational performance.
3. To Change Attitudes : Training helps foster positive attitudes among employees toward their work, colleagues, and the organization, improving teamwork and collaboration.
4. To Enhance Workplace Safety : Training reduces accidents by educating employees on safety measures and proper use of equipment.
5. To Prepare for Promotions : Advanced training helps employees develop the skills needed to take on higher responsibilities and leadership roles

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229. Explain the objectives of Industrial Relations and their importance in the workplace.

Ans : MAIN 2024

1. Promoting Industrial Peace Industrial relations ensure harmonious relationships between employers and employees by addressing conflicts and fostering cooperation.
2. Protecting Interests : Safeguards the rights of employers, managers, and employees by ensuring fair treatment and compliance with labor laws.
3. Resolving Disputes : Provides mechanisms for resolving conflicts effectively, reducing workplace disruptions.
4. Encouraging Workplace Democracy : Involves employees in decision-making processes to promote inclusivity and transparency.
5. Minimizing Employee Turnover : Creates a positive work environment that encourages employees to stay with the organization.
6. Safeguarding Social and Economic Welfare : Ensures financial and social security through benefits like provident funds and insurance.
7. Enhancing Production Efficiency : Improves working conditions, leading to higher productivity and quality output.

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230. What are the key functions of trade unions, and how do they contribute to improving workplace conditions?

Ans : SQP 2023

1. Representing Workers : Acts as a voice for employees in negotiations with employers regarding wages, benefits, and working conditions.
2. Advocating for Workers' Rights : Ensures the enforcement of labor laws and the protection of employees' interests.
3. Providing Support and Guidance : Helps employees navigate workplace challenges, including grievances and disputes.
4. Training and Development : Offers skill development programs to prepare employees for career growth and future opportunities.
5. Financial Assistance : Provides monetary support to workers during crises like strikes, accidents, or layoffs.

196. Define Industrial Relations.

Ans : MAIN 2024

Industrial Relations refers to the study of relationships between employers and employees within workplaces. It involves interactions among labor unions, management, and government regulators.

197. List any two objectives of Industrial Relations.

Ans : SQP 2023

1. Promoting industrial peace.
2. Resolving disputes within industries.

198. What is the definition of a trade union according to the Australian Bureau of Statistics?

Ans : COMP 2022

A trade union is "an organization mainly comprising employees focused on negotiating pay rates and employment conditions for its members."

199. State two functions of trade unions.

Ans : MAIN 2020

1. Representing workers and negotiating with employers.
2. Offering financial assistance and protection to workers.

200. What is Social Security as per the provided material?

Ans : SQP 2008

Social Security refers to benefits provided to employees in India, such as Provident Fund, retirement benefits, healthcare, gratuity, and insurance, governed by the Code on Social Security, 2020.

201. Who contributes to the Provident Fund, and how much is the contribution?

Ans : COMP 2007

Both the employee and employer contribute 12% of the employee's monthly salary to the Provident Fund. Additionally, the government contributes 1%.

202. What is the eligibility for gratuity payment?

Ans : MAIN 2016

An employee is eligible for gratuity if they
1. Retire after completing five or more years of service.
2. Leave the job or become disabled due to an accident or disease.

203. What is the maximum gratuity amount an employee can receive?

Ans : SQP 2013

The maximum gratuity amount cannot exceed ₹20 lakh.

204. What is the typical pension amount provided to retired employees?

Ans : COMP 2021

Typically, retired employees receive half of their last drawn salary as a pension.

205. What is Group Health Insurance, and whom does it cover?

Ans : MAIN 2010

Group Health Insurance is a medical insurance plan that covers employees of an organization. It may also include dependents like the spouse, children, and dependent parents.

206. Under what conditions can an employee avail of maternity benefits?

Ans : SQP 2014

An employee is eligible for maternity benefits if they
1. Have less than two surviving children.
2. Have worked for at least 80 days before applying for the benefit.

207. What is the duration of maternity leave for the first two children?

Ans : COMP 2011

The duration of maternity leave for the first two children is 26 weeks.

208. What is the purpose of the New Pension Scheme (NPS)?

Ans : MAIN 2019

The NPS is a hybrid pension scheme offering both lump sum withdrawals and regular pensions post-retirement.

209. List two advantages of internal recruitment.

Ans : SQP 2005

1. Encourages employees to enhance their performance.
2. Eliminates the need for induction or training.

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235. Explain the concept of social security and list its components in India.

Ans : MAIN 2016

1. Definition : Social security refers to benefits provided to employees to ensure their social and economic well-being during and after employment.
2. Components :
   (i) Provident Fund : Retirement savings scheme for employees.
   (ii) Gratuity : Monetary benefit provided after five years of continuous service.
   (iii) Pension : Financial support during retirement or to dependents of deceased employees.
   (iv) Insurance : Health and life insurance for employees and their families.
   (v) Healthcare Benefits : Access to medical facilities for employees and dependents.

236. Importance : Social security safeguards employees from financial uncertainties and promotes a stable and secure working environment.
What are the key objectives of training in an organization?

Ans : SQP 2013

1. Role Preparation : Equips employees with the necessary knowledge and skills for specific roles.
2. Efficiency Improvement : Enhances performance by introducing modern techniques and methods.
3. Future Readiness : Develops a pipeline of capable employees for higher responsibilities.
4. Job Satisfaction : Boosts employees' confidence, morale, and motivation.
5. Adaptation to Changes : Prepares employees for technological advancements and industry trends.

237. What is the New Pension Scheme (NPS) and how does it benefit employees?

Ans : COMP 2021

1. Definition : NPS is a hybrid retirement scheme offering both lump sum withdrawals and regular pensions.
2. Eligibility : Open to Indian citizens aged 18-60, including private and self-employed individuals.
3. Contributions : Employees contribute 9%-12% of their income to their NPS accounts.
4. Management : Contributions are professionally managed to ensure steady growth.
5. Benefits : Provides flexibility in managing retirement savings and ensures financial stability post-retirement.

238. What is the role of safety training in organizations, and why is it important?

Ans : MAIN 2024

1. Role of Safety Training :
   (i) Teaches employees to identify and mitigate workplace hazards.
   (ii) Provides guidelines for using equipment safely.
   (iii) Educates workers on emergency response protocols.
2. Importance :
   (i) Reduces workplace accidents and injuries.
   (ii) Ensures compliance with legal safety requirements.
   (iii) Protects employees' physical and mental well-being.
   (iv) Builds a safety-first culture within the organization.

CASE BASED QUESTION

239. Mrs. Priya, an HR manager at ABC Pvt. Ltd., noticed a high rate of employee turnover in the organization. Upon investigation, she found that many employees were leaving the company due to limited growth opportunities and a lack of training programs. Employees also expressed dissatisfaction with their inability to upskill and take on new responsibilities. Recognizing the issue, Mrs. Priya decided to implement changes to retain employees and boost morale by improving their career progression within the company.

1. What type of training should Mrs. Priya implement to address the issue?
2. What is the key term used to describe employees leaving the organization?

Ans :

1. Promotional Training to prepare employees for higher roles and provide growth opportunities.
2. Employee Turnover.

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218. Explain any five functions of Trade Unions.

Ans : SQP 2023

The primary functions of Trade Unions are

1. Representation and Negotiation : Trade unions represent workers and negotiate better wages, benefits, and working conditions with employers.
2. Support for Workers : They provide financial and mental support to employees in need.
3. Guidance and Advice : Trade unions offer legal and financial advice to help members resolve workplace issues.
4. Training and Development : They organize training programs to enhance workers' skills, enabling better career opportunities.
5. Fighting for Rights : Trade unions organize strikes and demonstrations to ensure workers' demands, such as fair wages, are met.

219. Describe the procedure in the selection of employees for an organization.

Ans : MAIN 2019, 2016, 2011

The selection process is a systematic method to identify and hire the most suitable candidates for a job. The key steps involved are

1. Preliminary Screening : This is the first step where applications are reviewed to eliminate unqualified candidates. Basic criteria such as educational qualifications, experience, and skills are checked.
2. Selection Tests : Various tests such as aptitude, intelligence, personality, or proficiency tests are conducted to evaluate the candidates' abilities, skills, and suitability for the role.
3. Employment Interview : Shortlisted candidates are invited for an interview. This formal interaction allows the employer to assess the candidate's knowledge, experience, communication skills, and personality traits.
4. Reference and Background Check : Employers verify the candidate's references and background, such as previous employment records, character, and credentials, to ensure authenticity.
5. Medical Examination : Candidates are required to undergo a medical test to confirm their physical and mental fitness for the job.
6. Job Offer and Contract Signing : Finally, successful candidates are provided a formal job offer and asked to sign an employment contract, which outlines the terms and conditions of employment.

220. Explain any two internal sources of recruitment.

Ans : COMP 2015, 2013

Internal recruitment is the process of filling job vacancies from within the organization. Two common internal sources are

1. Promotion : Involves elevating an employee from a lower position to a higher one with increased responsibilities and benefits, such as higher pay or status. Example : A sales executive may be promoted to a sales manager role. Promotions motivate employees, reward performance, and reduce the cost of recruitment and training.
2. Transfer : Transfers involve moving employees from one department, branch, or location to another. This is done to meet the workforce requirements in different areas or departments. Example : An employee from one factory can be shifted to another to address staff shortages.
   Transfers ensure flexibility in workforce management without changing the employee's role, status, or salary.

221. Explain any five external sources of recruitment.

Ans : COMP 2022

External recruitment involves hiring candidates from outside the organization. The sources include

1. Direct Recruitment :
   (i) A notice is placed on the organization's notice board specifying job vacancies and their requirements.
   (ii) Job seekers assemble on a specified date, and selection is done on the spot.
   (iii) This method is used for casual vacancies of unskilled or semi-skilled jobs and is cost-effective as it avoids advertisement expenses.
2. Casual Callers :
   (i) Reputed organizations keep a database of unsolicited applicants who visit their offices.
   (ii) These candidates can be screened and selected for future vacancies, reducing recruitment costs.
3. Advertisement :
   (i) Job vacancies are advertised in newspapers, trade journals, or online platforms.
   (ii) This method provides a wide reach and detailed information about the job and organization.

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while operating a crane. Upon investigation, the management discovered that the accident could have been avoided if he had adhered to the safety guidelines.

1. Can Mr. Akash blame the company for his injury? Why?
2. What type of training was provided?

Ans :

1. No, because the company provided adequate safety training, and the injury occurred due to his negligence.
2. Safety Training.

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246. Ms. Neha, a recent graduate, was hired as a marketing executive at ABC Ltd. On her first day, she attended a session organized by the HR department where she was introduced to the company's policies, work culture, and her specific job role. The session also included a tour of the office premises and interaction with key team members to help her adapt to the new environment.

1. What type of training did Ms. Neha receive?
2. Why is this type of training important?

Ans :

1. Induction Training.
2. To help new employees adapt to their roles and the organizational environment.

247. Mr. Suresh, an employee at XYZ Ltd., was transferred to a different city for a higher position within the company. Although this was considered a promotion, Mr. Suresh was unhappy as he was not offered any additional financial benefits or support for relocation. This transfer resulted in a drop in his productivity and overall motivation, as he felt his efforts were not adequately rewarded.

1. What is the disadvantage of internal recruitment highlighted in this case?
2. What is the type of recruitment being described?

Ans :

1. Frequent transfers can lower productivity and employee morale.
2. Internal Recruitment.

248. Mr. Arjun applied for a life insurance policy and concealed the fact that he was a chain smoker for over 10 years. Three years later, he passed away due to lung cancer. When his family applied for the insurance claim, the company investigated and discovered the undisclosed smoking habit. As a result, the claim was rejected, leaving the family in financial distress.

1. Why was the claim denied?
2. Identify the principle of insurance applicable in this case.

Ans :

1. Because Arjun violated the Principle of Utmost Good Faith by not disclosing material facts about his health.
2. Utmost Good Faith.

249. Mr. Prakash, a worker at a textile manufacturing company, was injured in an accident on the shop floor. Although he had been provided with Safety Training, the investigation revealed that the accident occurred because the machine he was working on had not been maintained properly. The management assured Mr. Prakash that his medical expenses would be covered under the company's Group Health Insurance, and compensation would be provided through the company's workplace accident policy.

1. Will Mr. Prakash receive compensation and medical coverage? Why?
2. What type of training had Mr. Prakash received?

Ans :

1. Yes, Mr. Prakash will receive medical coverage under the Group Health Insurance policy and compensation because the accident was caused by improper machine maintenance, which is the employer's responsibility.
2. Safety Training.

250. Ms. Kavya, an employee at XYZ Ltd., retired after completing 15 years of service. She had consistently contributed to her Provident Fund throughout her career. Upon retirement, she applied to withdraw the accumulated amount in her PF account. However, she was unsure whether her employer had contributed the required amount over the years and approached the HR department for clarification.

1. What is the employer's contribution to the Provident Fund under the scheme?
2. What is the purpose of the Provident Fund?

Ans :

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3. Which of the following is/are the function(s) of Transport?
(i) Regularity in consumption
(ii) Enjoyment of goods not produced locally
(iii) Intensifies competition
(a) Only i
(b) Both i and ii
(c) All three
(d) None of the above

Ans : COMP 2022

(c) All three
Transport facilitates regular consumption, access to non-local goods, and promotes competition.

4. The merit of road transport includes _____.
(a) Irregularities
(b) Limited carrying capacity
(c) Slow speed
(d) Economy

Ans : MAIN 2020

(d) Economy
Road transport is economical, making it an important mode of transport.

5. _____ transport is said to be the oldest mode of transport.
(a) Road
(b) Railway
(c) Water
(d) Air

Ans : SQP 2008

(a) Road
Road transport predates other modes like railways, ships, and airplanes.

6. Air transport is suitable for:
(a) Cost-effectiveness
(b) Speed
(c) Flexibility
(d) Safety

Ans : COMP 2007

(b) Speed
Air transport is ideal for quick movement over long distances.

7. Water supply to residential and commercial areas is an example of _____ transport.
(a) Air
(b) Water
(c) Pipeline
(d) Road

Ans : MAIN 2016

(c) Pipeline
Pipelines transport water efficiently to residential and commercial areas.

8. River and canal routes are used under _____ water transport.
(a) Inland
(b) Ocean
(c) Coastal
(d) Overseas

Ans : SQP 2013

(a) Inland
Inland water transport involves rivers and canals for goods movement.

9. A _____ is an establishment for storage or accumulation of goods.
(a) Bank
(b) Warehouse
(c) Budget
(d) Forecast

Ans : COMP 2021

(b) Warehouse
A warehouse is an establishment for storing goods securely. It helps in tracking where items are located, when they arrived, how long they have been there, and the available quantity.

10. Warehouses owned and operated by big manufacturers and merchants to fulfill their own storage needs are called:
(a) Public warehouses
(b) Private warehouses
(c) Government warehouses
(d) Cooperative warehouses

Ans : MAIN 2010

(b) Private warehouses
Private warehouses are owned by big manufacturers or merchants to meet their specific storage requirements.

11. Functions of Warehouses include:
(i) Storage of goods
(ii) Sharing the risk
(iii) Incidental services for marketing
(iv) Regulation of supply
(a) Only i
(b) Both i and ii
(c) i, ii, and iii
(d) All of the above

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CHAPTER 5

LOGISTICS

SUMMARY

1. LOGISTICS

Logistics involves a range of business activities aimed at managing the efficient flow of materials from suppliers to production facilities and distributing finished products to end users.

2. LOGISTICS MANAGEMENT

Logistics management encompasses the design and administration of systems that manage the movement of raw materials, semi-finished goods, and finished products. It includes planning, implementation, and control to ensure customer satisfaction and support business strategies.

2.1 Definition by Philip Kotler

"Market logistics involves planning, implementing, and controlling the physical flow of materials and finished goods from the point of origin to the point of use to meet customer requirements at a profit."

3. CLASSIFICATION OF LOGISTICAL ACTIVITIES

3.1 Inbound Logistics

Inbound logistics focuses on the smooth and cost-effective flow of materials and inputs from suppliers to the manufacturing process. It requires maintaining a continuous interface with suppliers to ensure efficiency.

3.2 Outbound Logistics

Outbound logistics is also known as physical distribution management or supply chain management. It deals with the movement of finished goods and related information from the manufacturing unit to customers. It involves maintaining consistent communication with transport operators and distribution channels.

4. MERITS AND DEMERITS OF DIFFERENT MODES OF TRANSPORT

4.1 Road Transport

Merits: Road transport is economic, flexible, safe, quick, less time-consuming, and offers frequent service.
Demerits: It has issues such as irregularities, limited carrying capacity, slow speed, and fluctuating rates.

4.2 Rail Transport

Rail transport plays a dominant role in the country's transport system. Industrialization depended significantly on its development.
Merits: Rail transport is suitable for bulky commodities, long-distance travel, economic, unaffected by weather, and safe.
Demerits: It has less accessibility, is inflexible, not suitable for local transport, and involves huge maintenance costs.

4.3 Water Transport

Water transport is the most primitive mode of transport, previously the only option for moving bulky goods.
Merits: It is the most economical, low maintenance, has low operating costs, high carrying capacity, supports international trade, and is well-suited for bulky goods.
Demerits:
Its limitations include slow speed, seasonal availability, roundabout routes, unreliability, and dependency on specific routes.

4.4 Air Transport

Air transport significantly contributes to commercial activities, especially in the international market.
Merits: It is suitable for perishable goods, light goods of high value, quick service, accessibility to remote areas, and regular supply during natural calamities.

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Demerits: It is unreliable, expensive to operate, dangerous, has high fares, and is unsuitable for bulky goods with high maintenance costs.

5. SUITABILITY OF DIFFERENT MEANS OF TRANSPORT

1. Cost: Water transport is the most economical.
2. Speed: Air transport is the quickest.
3. Flexibility: Road transport is the most adaptable.
4. Regularity: Rail transport offers the most regular and consistent services.
5. Safety: Road transport is the safest mode.

6. WAREHOUSING

Warehousing refers to the organized and systematic storage of goods on a large scale, ensuring their preservation and availability when needed. It involves holding or preserving goods in large quantities from the time of purchase or production until their final use or sale.

7. TYPES OF WAREHOUSES

7.1 Private Warehouses

1. Owned and operated by large manufacturers or merchants.
2. Serve the purpose of fulfilling their own storage needs.

7.2 Public Warehouses

1. Specialized establishments providing storage facilities to the general public for a specific time.
2. Can be owned and managed by individuals or cooperative societies.

7.3 Bonded Warehouses

1. Licensed by the government to store imported goods until customs duties are paid.
2. Usually located near ports and operate under government supervision.

7.4 Government Warehouses

1. Owned, operated, and managed by the government for public purposes.
2. Serve the storage needs of the public sector.

7.5 Cooperative Warehouses

1. Established by cooperative societies, such as agricultural groups.
2. Serve the storage needs of members, like farmers or marketing cooperatives.

8. FUNCTIONS OF WAREHOUSES

1 Storage of Goods : Safeguards goods until they are required for use or sale.
2. Sorting, Packing, and Labeling: Prepares goods for distribution or final sale.
3. Exhibition of Goods : Provides space to display goods to potential buyers.
4. Provision of Market : Ensures goods are readily available in the market.
5. Handling of Exports and Imports : Manages storage for international trade purposes.
6. Sharing the Risk : Secures goods against risks like theft, loss, or damage.
7. Incidental Services for Marketing : Assists in distribution and marketing efforts.
8. Economy in Time : Reduces delays by ensuring timely availability of goods.
9. Regulation of Supply : Controls the flow of goods to balance market supply and demand.
10. Miscellaneous Functions : Provides additional services as required by businesses, such as financing or inventory control.

9. ADVANTAGES/IMPORTANCE OF WAREHOUSES

1. Seasonal Production : Warehouses support seasonal production by storing goods until they are required for use or sale.
2. Seasonal Demand : Warehouses ensure that products are available during peak demand periods, even if production occurs at other times.
3. Storage of Perishable Goods : Modern warehouses use advanced techniques to store perishable items, maintaining their quality and extending their shelf life.
4. Production at One Place but Demand at Various Locations : Warehousing helps distribute goods to multiple locations to meet demand effectively.
5 Stabilization of Prices : Warehouses prevent sharp price fluctuations by storing surplus goods during low demand periods.
6. Curing or Processing : Certain goods, like beverages and fruits, are processed or cured in warehouses to improve their quality.
7. Storage of Raw Materials : Warehouses provide storage for raw materials, ensuring industries have a continuous supply and avoiding production delays.
8. Production in Anticipation of Demand : Businesses can produce goods in advance and store them in warehouses, ready for sale when demand arises.

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10. KEY TERMS

1. Buffer Stock : The stock maintained between business centers to balance product flow and prevent shortages.
2. First in First Out (FIFO) : A rule used in warehousing and costing, ensuring that the first item to enter the warehouse is the first to leave.
3. Grading : The process of sorting products into specific categories or grades based on quality to meet market requirements.

11. MEANING OF INSURANCE

Insurance is a contract between two parties where one undertakes to indemnify the other against losses arising from specific events. It is a social device that reduces uncertainty by pooling risks and providing financial protection against unexpected losses.

Insurance involves spreading the risk of uncertain events across a large number of people, enabling them to protect themselves from financial instability. The agreement between the insured and the insurer is formalized in a written contract known as a 'policy.'

The person whose risk is insured is the insured, and the firm providing the insurance is the insurer or assurance underwriter.

12. PRINCIPLES OF INSURANCE

1. Utmost Good Faith : Both parties must disclose all relevant facts for mutual benefit.
2. Insurable Interest : The insured must have a genuine interest in the subject matter of the insurance.
3. Indemnity : Compensation is provided only for actual losses, not exceeding the policy's value.
4. Doctrine of Subrogation : The insurer can claim all rights against third parties responsible for the loss after compensating the insured.
5. Contribution : If multiple policies cover the same risk, insurers share the liability.
6. Causa Proxima : Losses are compensated only if they are caused directly by the insured event.
7. Mitigation of Loss: The insured must take all necessary steps to minimize losses.

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13. TYPES OF INSURANCE

1. Life Insurance
2. General Insurance
   a. Fire Insurance
   b. Marine Insurance
   c. Health Insurance

14. KEY TERMS IN INSURANCE

Key terms in insurance are as follows :

14.1 Nominee

The nominee is the legal heir or individual nominated by the policyholder to receive the assured sum and benefits from the insurance company in the event of the policyholder's demise.

14.2 Premium

The premium is the periodic payment made by the insured to keep the life insurance policy active and to ensure continued coverage.

14.3 Underwriter

An underwriter is the person responsible for evaluating the risks associated with an insurance policy and determining the terms and conditions of coverage.

MULTIPLE CHOICE QUESTION

1. _____ is concerned with the smooth and cost-effective inflow of materials and other inputs.
(a) Inbound logistics
(b) Outbound logistics
(c) Sales logistics
(d) Recovery logistics

Ans : MAIN 2024

(a) Inbound logistics
Inbound logistics focuses on the efficient flow of materials into the business.

2. Which one of these is a significance of Logistics Management?
(a) Cost consumption
(b) Efficient flow of manufacturing operations
(c) Inventory mismanagement
(d) Ineffective communication system

Ans : SQP 2023

(b) Efficient flow of manufacturing operations
Systematic logistics management ensures an efficient manufacturing process.

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20. It implies that after indemnifying the insured for his loss, the insurer becomes entitled to all the rights and remedies relating to the property insured.
(a) Doctrine of Subrogation
(b) Utmost Good Faith
(c) Mitigation of Loss
(d) Indemnity

Ans : SQP 2009

(a) Doctrine of Subrogation
This principle allows the insurer to claim the salvaged property after paying for the damages.

21. Changes in fashion is an example of _____ risk.
(a) Calculated
(b) Insurable
(c) Non-insurable
(d) Inevitable

Ans : COMP 2001

(c) Non-insurable
Fashion trends are unpredictable and cannot be insured due to the uncertainty of loss.

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22. Types of marine insurance policies include:
(i) Time policy
(ii) Voyage policy
(iii) Mixed policy
(iv) Floating policy
(a) Only i
(b) Both i and ii
(c) i, ii, and iii
(d) All of the above

Ans : MAIN 2012

(d) All of the above
Marine insurance covers various policies, such as time, voyage, mixed, and floating policies, addressing different needs.

23. Insurance is needed in business because:
(a) It reduces peace of mind
(b) It increases dependency
(c) It discourages savings
(d) It reduces business losses

Ans : SQP 2002

(d) It reduces business losses
Insurance minimizes risks and reduces potential business losses while ensuring financial stability.

24. Which business function focuses on managing the flow of materials from suppliers through production to end users?
(a) Marketing
(b) Finance
(c) Logistics
(d) Accounting

Ans : COMP 2015

(c) Logistics
Logistics coordinates and supervises the efficient movement of goods, from raw materials to finished products, satisfying customer requirements. It aligns with strategic objectives, reduces costs, and balances supply and demand. With effective planning, implementation, and control, logistics achieves seamless operational flow, creating value and maintaining global competitiveness in the marketplace.

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25. Which aspect of logistics focuses on planning, implementation, and control of material flow?
(a) Logistics management
(b) Cost analysis
(c) Retail management
(d) Quality control

Ans : MAIN 2017

A. Logistics management
Logistics management structures and oversees activities that ensure materials, semi-finished items, and final products move efficiently. It covers planning, executing, and controlling all logistical processes, aligning with broader strategic goals. This integrated approach guarantees that production, distribution, and customer satisfaction objectives are met cost-effectively, supporting competitive advantage and sustained growth.

26. According to Kotler, market logistics must satisfy customer requirements while achieving what outcome?
(a) Economic recession
(b) Product diversification
(c) Higher employee turnover
(d) Profit

Ans : SQP 2024

(d) Profit
Philip Kotler emphasizes profitability when defining market logistics. Beyond moving materials and finished goods efficiently, logistics must meet customer needs at a profit. This reflects

Ans : SQP 2014

(d) All of the above
Warehouses play multiple roles, including storing goods, mitigating risks, offering marketing-related services, and regulating supply.

12. A Bonded Warehouse is established under a bond with the:
(a) Customs authority
(b) Private firms
(c) Cooperatives
(d) General public

Ans : COMP 2011

(a) Customs authority
Bonded warehouses are government-licensed storage spaces where imported goods are kept until customs duties are paid.

13. _____ is the process of sorting individual units of a product into well-defined classes.
(a) Standardisation
(b) Grading
(c) Branding
(d) Packaging

Ans : MAIN 2019

(b) Grading
Grading sorts products into categories or classes based on specified standards of quality.

14. Competition becomes easier with the help of:
(a) Warehousing
(b) Advertising
(c) Brand loyalty
(d) Packaging

Ans : SQP 2005

(c) Brand loyalty
Brand loyalty influences consumer preference, making competition easier for businesses by retaining loyal customers.

15. Indemnity means a promise to compensate in case of loss.
(a) Causa Proxima
(b) Doctrine of Subrogation
(c) Indemnity
(d) Contribution

Ans : COMP 2000

(c) Indemnity
Indemnity refers to a promise to cover any loss or damage incurred.

16. When both parties in the contract must disclose all material facts for the benefit of each other, it is called:
(a) Utmost Good Faith
(b) Insurable Interest
(c) Indemnity
(d) Causa Proxima

Ans : MAIN 2006

(a) Utmost Good Faith
The principle of Utmost Good Faith states that both the insurer and insured must reveal all significant facts before the agreement.

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17. Life insurance is a contract of contingency.
[ICSE 2020]
(a) Life
(b) Motor
(c) Fire
(d) Marine

Ans : SQP 2018

(a) Life
Life insurance is based on an uncertain event like death, unlike other policies that indemnify specific losses.

18. In _____ Insurance, insurable interest must exist at the time of inception of insurance and it is not required at the time of claim.
(a) Marine
(b) Property
(c) Life
(d) Fire

Ans : COMP 2003

(c) Life
For life insurance, insurable interest is necessary at the start but not at the time of claim. For other insurance types, it is required throughout.

19. Which of the following perils are covered under the principle of Causa Proxima?
(a) Fire
(b) Storm
(c) Earthquake
(d) All of the above

Ans : MAIN 2004

(d) All of the above
The principle of Causa Proxima covers losses directly caused by specified events like fire, storm, and earthquakes.

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1. The employer contributes 12% of the employee's monthly salary to the Provident Fund.
2. To provide employees with financial security and savings after retirement.

251. Mr. Rajesh joined ABC Ltd. as a junior engineer. Over the years, he displayed exceptional performance and leadership skills. The management decided to prepare him for a higher managerial position by enrolling him in a Promotional Training program. The program was designed to enhance his leadership, decision-making, and technical skills, preparing him for greater responsibilities.

1. What type of training did Mr. Rajesh undergo?
2. Why is promotional training important in this case?

Ans :

1. Promotional Training.
2. To develop the skills and knowledge required for Mr. Rajesh to handle higher responsibilities effectively.

252. Mrs. Anjali, an employee at a private organization, applied for Maternity Benefits after discovering she was pregnant with her second child. She had been with the company for over three years and had worked consistently during this time. However, her manager was unaware of the maternity leave policy and directed her to consult the HR team.

1. Is Mrs. Anjali eligible for 26 weeks of fully paid maternity leave? Why?
2. What is the minimum eligibility criterion for availing maternity leave?

Ans :

1. Yes, Mrs. Anjali is eligible for 26 weeks of fully paid maternity leave because this benefit applies to employees with less than two surviving children who have worked for at least 80 days.
2. The employee must have worked for at least 80 days in the organization.

253. Mr. Sameer applied for a job at a reputed IT company. As part of the selection process, he was required to undergo multiple Selection Tests, including an aptitude test, a personality test, and a proficiency test. The company used these tests to evaluate his skills, behavior, and potential for growth within the organization. After successfully clearing the tests, he was invited for an employment interview.

1. Why did the company conduct multiple selection tests for Mr. Sameer?
2. What are the types of tests conducted in this case?

Ans :

1. To evaluate his skills, potential, and personality traits to ensure he was suitable for the role.
2. Aptitude Test, Personality Test and Proficiency Test.

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balancing cost management, service quality, and timely deliveries. By optimizing routes, inventory, and information flow, logistics ensures revenues outweigh expenses, enabling sustainable overall business performance.

27. Which term describes the movement of materials from suppliers to the manufacturing process?
(a) Outbound logistics
(b) Inbound logistics
(c) Reverse logistics
(d) Horizontal integration

Ans : COMP 2023

(b) Inbound logistics
Inbound logistics covers sourcing, procurement, and receiving materials needed for production. Its main focus is ensuring raw inputs arrive efficiently, maintaining continuous communication with suppliers. This aligns with controlling costs and preventing delays. By effectively coordinating schedules, transportation, and inventory, inbound logistics secures reliable supplies that support manufacturing objectives firmly.

28. Which activity involves moving finished goods and related information to customers?
(a) Production management
(b) Outbound logistics
(c) Internal auditing
(d) Retail analysis

Ans : MAIN 2022

(b) Outbound logistics
Outbound logistics addresses the distribution of completed products to end users, encompassing warehousing, order fulfillment, transportation, and communication with distribution channels. By coordinating delivery schedules, selecting transport operators, and monitoring inventories, it ensures quick, cost-efficient transfers that meet consumer demand. This crucial function complements inbound processes to fulfill market needs.

29. Which mode of transport is most frequently characterized as flexible, safe, quick, and offering frequent service?
(a) Rail
(b) Road
(c) Air
(d) Water

Ans : SQP 2020

(b) Road
The text highlights road transport for its adaptability and convenience in providing door-to-door service. Its frequent scheduling allows flexible pickup and delivery options, making it comparatively safer and quicker for short distances. However, it can face major capacity issues, fluctuating rates, and potential delays from traffic congestion or infrastructure constraints.

30. Which mode of transport is known for carrying heavy goods economically over long distances and offering relatively consistent services?
(a) Air
(b) Road
(c) Rail
(d) Pipeline

Ans : COMP 2008

(c) Rail
Rail transport dominates bulk commodity movement, linking widespread regions cost-effectively. It is less influenced by weather, allows heavier loads, and maintains scheduled timetables. While it lacks door-to-door flexibility and requires significant infrastructure investment, rail's reliability over long distances underscores its overall importance in supporting industrial, commercial, and national economic growth.

31. Which transport mode is considered the most economical yet slowest and often restricted by seasonal conditions or specific routes?
(a) Air
(b) Rail
(c) Water
(d) Road

Ans : MAIN 2007

(c) Water
Water transport, while highly cost-efficient for bulky, heavy cargo, can be slow and influenced by navigable waterways or seasonal changes. Despite low operating expenses and substantial carrying capacity, vital yet limited route availability and slower speeds constrain timely deliveries. Nevertheless, it remains crucial for international trade and large-scale marine shipments.

32. Which mode of transport is best for perishable, high-value, or time-sensitive items requiring rapid delivery?
(a) Rail
(b) Water
(c) Road
(d) Air

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Ans : SQP 2016

(d) Air
Air transport ensures quick movement, particularly vital for perishable goods and valuable items. Although more expensive and constrained by aircraft capacity, it offers faster transit and reduced handling, minimizing spoilage or damage. This rapid service assists businesses in meeting urgent market demands, especially when speed overrides cost concerns and delays.

33. Which factor is most considered when choosing water transport as the primary shipping method?
(a) Low carrying capacity
(b) Speed of delivery
(c) High operating costs
(d) Economical cost

Ans : COMP 2013

(d) Economical cost
Water transport's strongest advantage lies in low freight rates for heavy or bulky goods. Although slow, with potential route constraints, its minimal operating expenses and high-capacity vessels lower overall shipping costs. By offering an economical option, companies can trade internationally without incurring excessive expenses, despite extended transit times and delays.

34. Which element of transportation is emphasized most by air transport, making it ideal for urgent shipments?
(a) Speed
(b) Capacity
(c) Flexibility
(d) Regularity

Ans : MAIN 2021

(a) Speed
Air transport's principal selling point is rapid transit, outpacing other modes significantly for long distances. This speed supports global supply chains needing immediate deliveries or managing critical inventory. Although limited by capacity and higher costs, air freight remains the top choice for meeting pressing deadlines and time-sensitive customer expectations strict.

35. Which mode of transport is often cited as having the safest travel option for goods?
(a) Road
(b) Rail
(c) Air
(d) Water

Ans : SQP 2010

(a) Road
Road transport is frequently referenced in the text as a safer method due to established roadway networks, manageable vehicle speeds, and consistent maintenance oversight. Although accidents occur, its short-distance reliability, door-to-door advantages, and flexible scheduling typically reduce handling risks, preserving product integrity and improving overall supply chain efficiency and reliability.

36. Which type of warehouse is established by large manufacturers or merchants to store goods for their own use?
(a) Public warehouse
(b) Private warehouse
(c) Bonded warehouse
(d) Government warehouse

Ans : COMP 2014

(b) Private warehouse
Private warehouses are owned and operated by businesses to meet storage needs. This offers control over inventory systems, security measures, and operational processes without depending on external providers. Although involving higher initial investment, private warehouses streamline distribution activities and align with strategic objectives, ensuring consistent supply for production or sales.

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37. Which type of warehouse provides specialized storage facilities to any member of the public for a fixed fee?
(a) Private warehouse
(b) Public warehouse
(c) Government warehouse
(d) Cooperative warehouse

Ans : MAIN 2011

(b) Public warehouse
Public warehouses are open to individuals or companies needing temporary storage. They often require payment of fees based on space, duration, and additional services. Being managed by third-party providers or cooperative bodies, these facilities allow flexibility for seasonal or fluctuating inventory demands without long-term commitments or large capital investments significant.

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38. Which warehouse is licensed by the government to hold imported goods until customs duties are paid?
(a) Bonded warehouse
(b) Public warehouse
(c) Government warehouse
(d) Cooperative warehouse

Ans : SQP 2019

(a) Bonded warehouse
Bonded warehouses secure imported products until applicable duties and taxes are paid. Positioned near ports, they operate under strict government supervision. This arrangement prevents unauthorized circulation of merchandise before settling customs obligations, aiding exporters, importers, and customs authorities alike. It ensures revenue protection while facilitating regulated storage for international trade.

39. Which type of warehouse is operated and managed by the government primarily for public usage?
(a) Private warehouse
(b) Public warehouse
(c) Government warehouse
(d) Bonded warehouse

Ans : COMP 2005

(c) Government warehouse
Government warehouses, owned and administered by public authorities, serve the broader population's storage needs. They ensure regulated handling and potentially subsidized rates for essential goods. Operating under official oversight, these facilities focus on public welfare, offering reliable capacity for stockpiling commodities, assisting emergency reserves, and stabilizing supply in critical situations.

40. Which warehouses are formed by cooperative societies, often for agriculture-related members like farmers?
(a) Government warehouses
(b) Bonded warehouses
(c) Cooperative warehouses
(d) Public warehouses

Ans : MAIN 2000

(c) Cooperative warehouses
Cooperative warehouses result from collective efforts by member-based organizations, frequently serving agricultural communities. They provide economical storage, protect produce against spoilage, and consolidate commodities for better market access. This system fosters shared benefits, reduces individual costs, and strengthens bargaining power by uniting smaller producers under a collective operational framework robust.

41. Which warehouse function ensures that goods are systematically organized and prepared for distribution or final sale?
(a) Provision of market
(b) Sorting, packing, and labeling
(c) Handling exports and imports
(d) Regulation of supply

Ans : SQP 2006

(b) Sorting, packing, and labeling
Warehouses often conduct preparatory tasks like sorting items by category, packing them into manageable units, and labeling for easy identification. These activities streamline subsequent shipping, minimize errors, and maintain product integrity. By standardizing presentation, warehouses facilitate speedy distribution, boost brand reputation, and meet diverse retail or end-user specifications and expectations.

42. Which function of warehousing helps maintain steady market prices by holding surplus goods when demand is low?
(a) Exhibition of goods
(b) Storage of perishable items
(c) Stabilization of prices
(d) Curing or processing

Ans : COMP 2018

(c) Stabilization of prices
Warehouses store excess products during periods of lower demand, preventing oversupply in the market. This helps curb drastic price drops and volatility. When demand rises, these stored items are released, mitigating sharp cost increases. By balancing supply and demand over time, warehousing fosters price stability for consumers and producers alike.

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43. Which warehousing function supports international trade by managing storage of imports and exports?
(a) Handling of exports and imports
(b) Provision of market
(c) Sharing the risk
(d) Economy in time

Ans : MAIN 2003

(a) Handling of exports and imports

(a) Insurable Interest
(b) Indemnity
(c) Causa Proxima
(d) Contribution

Ans : SQP 2024

(c) Causa Proxima
Causa Proxima dictates that the proximate, or most direct, cause must be an insured peril. If the dominant factor is excluded, no compensation applies. The text clarifies that insurers compensate only for losses whose immediate cause falls within policy coverage.

77. Identify the principle of insurance based on the given information:
1. If a third party is legally liable for the insured's loss, the insurer, after compensation, can pursue that third party.
2. The insured cannot collect payment twice for the same damage.

(a) Mitigation of Loss
(b) Indemnity
(c) Subrogation
(d) Utmost Good Faith

Ans : COMP 2023

(c) Subrogation
Subrogation allows insurers to recover expenses from at-fault third parties after settling the insured's claim. It ensures the insured is not compensated twice for a single loss, in line with the text's definition of subrogation.

78. Identify the principle of insurance based on the given information:
1. The insured must stand to gain financially from the continued existence of the asset.
2. The insured suffers a measurable loss if that asset is destroyed.

(a) Utmost Good Faith
(b) Mitigation of Loss
(c) Insurable Interest
(d) Indemnity

Ans : MAIN 2022

(c) Insurable Interest
Individual must have a genuine, legally recognized stake in the insured property or event. This "insurable interest" ensures the policyholder benefits from the asset's survival and incurs an actual loss if harm occurs, reflecting the text's stipulation that insurance cannot be purely speculative.

79. Identify the principle of insurance based on the given information:
1. The insured cannot claim an amount exceeding the actual repair or replacement cost.
2. Insurance seeks to restore the insured's financial position, not enhance it.

(a) Utmost Good Faith
(b) Indemnity
(c) Causa Proxima
(d) Subrogation

Ans : SQP 2020

(b) Indemnity
Indemnity restricts payouts to the real monetary loss, preventing profit from an insurance claim. This principle returns the insured to the same economic standing as before the event, matching the material's explanation that overcompensation is disallowed.

80. Identify the principle of insurance based on the given information:
1. Both parties must truthfully disclose material facts affecting the policy's terms.
2. Any significant misrepresentation by the insurer or insured can invalidate coverage.

(a) Subrogation
(b) Insurable Interest
(c) Utmost Good Faith
(d) Indemnity

Ans : COMP 2008

(c) Utmost Good Faith
Utmost Good Faith obligates honesty and transparency from both the insurer (in clarifying policy conditions) and the insured (in declaring the risk). The text states failure to fully disclose relevant information can nullify the contract or reduce claim viability.

81. Identify the principle of insurance based on the given information:
1. An event leads to a covered loss, but the policyholder neglects to stop further damage.
2. The insurer may partially or wholly refuse the extra expense arising from preventable harm.

(a) Mitigation of Loss
(b) Contribution
(c) Causa Proxima
(d) Insurable Interest

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49. Which principle applies when multiple insurance policies cover the same asset for the same risk?
(a) Utmost Good Faith
(b) Mitigation
(c) Indemnity
(d) Contribution

Ans : MAIN 2015

(d) Contribution
Contribution ensures that when multiple insurers cover identical risks, each shares the claim proportionally. This prevents an insured party from claiming the entire amount from one insurer, avoiding overburdening a single provider. By apportioning liability among involved insurers, it upholds mutual equitable responsibility and proper resource distribution across all policies.

50. Which principle mandates that a loss must directly stem from the insured event to be compensated?
(a) Causa Proxima
(b) Insurable Interest
(c) Utmost Good Faith
(d) Contribution

Ans : SQP 2017

(a) Causa Proxima
Causa Proxima requires the nearest, most direct cause of loss to be an insured peril. If a chain of events leads to damage, the dominant factor must match the policy coverage. This principle excludes indirect or remote causes, ensuring insurers only pay for losses genuinely triggered by covered risks insured.

51. Which principle requires the insured to take reasonable steps to reduce or prevent loss?
(a) Utmost Good Faith
(b) Mitigation of Loss
(c) Indemnity
(d) Contribution

Ans : MAIN 2024

(b) Mitigation of Loss
Mitigation of loss obliges policyholders to minimize damage when incidents occur. They must act prudently, preventing additional harm rather than relying solely on insurance coverage. Failure to mitigate can reduce claim payouts, as insurers expect responsible behavior. This encourages prompt measures to limit losses and maintain overall fair insurance practices.

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52. Which type of insurance covers ships, cargo, and other interests against perils of the sea?
(a) Fire insurance
(b) Marine insurance
(c) Health insurance
(d) Liability insurance

Ans : SQP 2023

(b) Marine insurance
Marine insurance provides coverage for ships, cargoes, and maritime hazards, including storms, collisions, piracy, or other ocean-related risks. It safeguards shipping ventures against financial loss from unexpected incidents at sea. By indemnifying the insured, marine insurance preserves trading activities, fosters economic resilience, and ensures continuous operations in global maritime commerce.

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53. Which key insurance term refers to periodic payments made by the policyholder for coverage to remain active?
(a) Nominee
(b) Premium
(c) Underwriter
(d) Policy

Ans : COMP 2022

(b) Premium
A premium is the recurring fee paid by the insured to keep coverage valid. It reflects the risk level and policy features, including the amount of protection offered. If premiums lapse, insurance benefits may be suspended or canceled. Timely, consistent premium payments guarantee sustained financial security and peace of mind.

54. Which logistics function is also referred to as physical distribution management or supply chain management, focusing on delivering finished goods to customers?
(a) Inbound logistics
(b) Reverse logistics
(c) Outbound logistics
(d) Retail management

Ans : MAIN 2020

(c) Outbound logistics
Outbound logistics encompasses shipping, warehousing, and distributing finished goods. The text specifically labels it as "physical distribution management" or "supply chain management" because it coordinates the flow of products from factories to users. It ensures timely transportation,

87. A steel manufacturing firm ships heavy coils to a distant industrial city. They want an economical, weather-immune, and reliable mode for large quantities over thousands of kilometers.
Based on the text, which transport option would they most likely choose?
(a) Road transport
(b) Air transport
(c) Rail transport
(d) Bicycle courier

Ans : MAIN 2011

(c) Rail transport
Rail transport is emphasized in the text for carrying bulky commodities over long distances economically and safely. It is less affected by weather than road or water, making it a prime choice for large industrial shipments.

88. An agricultural firm produces wheat primarily during the harvest season. The firm needs to store surplus grain until market demand peaks months later, preventing a sudden drop in wheat prices immediately after harvest.
Which warehousing advantage does this scenario illustrate?
(a) Curing or processing
(b) Seasonal demand
(c) FIFO implementation
(d) Reverse logistics

Ans : SQP 2019

(b) Seasonal demand
Warehouses help store commodities produced in one season until they are needed in another. By withholding wheat from the market when supply is high, the firm avoids price crashes and ensures availability during peak demand, matching the text's seasonal demand benefit.

89. A clothing retailer imports garments into the country, but customs duties are pending. The goods need a temporary, government-approved storage location near the port until the retailer completes customs formalities.
Which type of warehouse should the retailer use?
(a) Public warehouse
(b) Private warehouse
(c) Government warehouse
(d) Bonded warehouse

Ans : COMP 2005

(d) Bonded warehouse
A bonded warehouse, licensed by the government, stores imported goods until customs duties are paid. The text points out these warehouses typically operate under government supervision near ports to facilitate regulatory compliance.

90. Mr. Smith wants to insure a car owned by his neighbor because he believes it might be profitable if the neighbor crashes. The insurance company denies coverage.
Which principle of insurance is the company applying?
(a) Subrogation
(b) Indemnity
(c) Insurable Interest
(d) Contribution

Ans : MAIN 2000

(c) Insurable Interest
Insurable interest requires a person to have a legitimate stake in the insured property, meaning they would suffer a financial loss if it were harmed. Mr. Smith has no direct financial interest in his neighbor's car, so coverage is denied under this principle.

91. A farmer's tractor is insured against fire. A nearby pipeline explosion causes structural damage to the barn, leading to a fire that destroys the tractor. The fire is the dominant, immediate reason for the tractor's destruction.
Which principle ensures the fire is considered the compensable cause?
(a) Contribution
(b) Causa Proxima
(c) Utmost Good Faith
(d) Mitigation of Loss

Ans : SQP 2006

(b) Causa Proxima
Causa Proxima (proximate cause) requires the direct and effective cause to be a covered peril. Since the tractor's destruction directly resulted from fire (an insured event), it meets this condition, regardless of the initial pipeline explosion.

92. A shopkeeper's warehouse floods due to heavy rain. He fails to move the stock to higher shelves or any safer area, allowing further water damage. The insurer disputes part of the claim.
Which insurance principle justifies the insurer's action?
(a) Mitigation of Loss
(b) Indemnity
(c) Subrogation
(d) Contribution

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60. Which warehouse advantage allows businesses to manufacture goods ahead of time and store them until customers require them?
(a) Seasonal demand
(b) Cooperative storage
(c) Production in anticipation of demand
(d) Buffer stock

Ans : MAIN 2010

(c) Production in anticipation of demand
Warehousing provides the space needed to hold products before actual sales. By producing items in advance, firms can respond quickly to sudden orders or market trends. This approach also stabilizes production schedules, spreads manufacturing costs, and facilitates steady supply, ultimately improving readiness when consumer demand increases or market conditions shift.

61. Which warehouse function allows goods to be displayed so potential buyers can inspect and evaluate them before purchase?
(a) Regulation of supply
(b) Exhibition of goods
(c) Sharing the risk
(d) Sorting and labeling

Ans : SQP 2014

(b) Exhibition of goods
Warehouses sometimes provide display areas where buyers assess product quality and other attributes onsite. This hands-on approach helps forge transparent transactions, boosting buyer confidence and encouraging faster decision-making. By facilitating direct examination of stock, warehouses support marketing efforts, potentially increasing sales and customer satisfaction without requiring a separate showroom.

62. Which warehouse function ensures a balanced flow of products to the market, avoiding surpluses or shortages?
(a) Storage of perishable goods
(b) Production at one place
(c) Regulation of supply
(d) Sorting, packing, and labeling

Ans : COMP 2011

(c) Regulation of supply
Warehousing contributes to supply stability by withholding goods during low demand and releasing them when market needs peak. This regulated approach prevents extreme price or stock fluctuations, maintaining steady availability. Through appropriate timing and inventory control, warehouses align production output with consumption cycles, benefiting consumers, producers, and overall market equilibrium.

63. Which principle ensures the products that arrive first in the warehouse are also the first to be dispatched?
(a) LIFO
(b) FIFO
(c) JIT
(d) Insurable interest

Ans : MAIN 2019

(b) FIFO
FIFO (First In First Out) releases older inventory before newer deliveries, reducing spoilage or obsolescence. By issuing earlier batches first, stock rotation remains efficient and product freshness improves. This method is especially crucial for perishables, ensuring goods nearing expiry do not linger in storage, thus preventing unnecessary waste and losses.

64. Which process in warehousing involves categorizing products based on quality or characteristics to meet market needs?
(a) Buffering
(b) Curing
(c) Grading
(d) Insurance

Ans : SQP 2005

(c) Grading
Grading systematically evaluates and groups items by standardized attributes like size, quality, or performance level. Warehouses may separate goods into grades for targeted pricing and distribution. This organized approach streamlines bulk handling, enabling suppliers, buyers, and retailers to align expectations, reduce sorting complexity, and ensure consistent product standards in commerce.

65. Which advantage of modern warehouses helps maintain the quality of easily spoiled items?
(a) Sorting and labeling
(b) Seasonality
(c) Storage of perishable goods
(d) Insurable interest

Ans : COMP 2000

(c) Storage of perishable goods
Contemporary warehouses use temperature control, ventilation, and advanced preservation

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Warehouses facilitate smooth global transactions by holding goods awaiting customs clearance, documentation, or onward transport. They coordinate loading and unloading, ensuring compliance with international regulations. By providing secure storage, warehousing helps manage inventory, prevents delays, and reduces transportation conflicts, ultimately promoting efficient smooth cross-border trade and reliable supply chain operations.

44. Which advantage of warehousing is crucial for storing goods produced seasonally, ensuring availability year-round?
(a) Seasonal production
(b) Incidental services
(c) FIFO
(d) Buffer stock

Ans : SQP 2004

(a) Seasonal production
Warehousing bridges the gap between harvest and consumption for items produced in specific seasons. By storing goods during peak production, it guarantees continuous supply throughout the off-season. This practice prevents shortages or inflated pricing, benefiting both producers seeking stable markets and consumers expecting consistent product availability year-round and reliable access.

45. Which key warehousing term denotes stock maintained between different business centers to prevent shortages?
(a) Buffer stock
(b) FIFO
(c) Subrogation
(d) Nominee

Ans : COMP 2009

(a) Buffer stock
Buffer stock represents an additional quantity of goods kept to balance supply in different locations or stages of the supply chain. It cushions against unforeseen demand spikes, transit delays, or production bottlenecks. Maintaining buffer stock helps businesses sustain consistent output, reduce lead times, and ensure uninterrupted product availability for customers.

46. Which principle of insurance requires both parties to disclose all relevant facts?
(a) Indemnity
(b) Utmost good faith
(c) Causa Proxima
(d) Contribution

Ans : MAIN 2001

(b) Utmost good faith
Utmost good faith obligates complete honesty from insurers and insured parties. Each must reveal pertinent details that could influence coverage decisions or premiums. With full transparency, risks are assessed accurately, preventing fraud or claim disputes. Failing to disclose critical information can invalidate the policy, undermining trust and insurance contract integrity.

47. Which principle of insurance states that the insurer provides compensation only to the extent of actual loss suffered?
(a) Subrogation
(b) Contribution
(c) Indemnity
(d) Mitigation of Loss

Ans : SQP 2012

(c) Indemnity
Indemnity ensures insurance recovers an individual to their prior financial position without yielding profit. Compensation cannot exceed the true monetary loss. This underpins fairness, limiting claims to actual damages. By preventing undue gain from incidents, insurers maintain equitable risk distribution while safeguarding insured parties against crippling expenses or damages financial.

48. Which principle allows the insurer to pursue third parties responsible for an insured loss after compensating the policyholder?
(a) Causa Proxima
(b) Subrogation
(c) Insurable Interest
(d) Mitigation of Loss

Ans : COMP 2002

(b) Subrogation
Under subrogation, insurers step into the insured's place to claim recompense from liable third parties. After paying damages, the insurer acquires rights to any legal actions or remedies. This prevents double recovery by the policyholder and ensures the actual wrongdoer bears financial responsibility, maintaining fairness and cost stability and equity.

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71. Which insurance term designates the person legally entitled to receive policy benefits upon the policyholder's death?
(a) Underwriter
(b) Causa Proxima
(c) Nominee
(d) Insurer

Ans : COMP 2001

(c) Nominee
A nominee is the individual named by the policyholder to inherit payouts if the insured event (typically death in life policies) occurs. This prevents confusion and legal complications, ensuring the rightful recipient obtains proceeds directly. Proper nomination streamlines claim settlement, preserving the financial security intended for dependent or designated beneficiaries.

72. Which warehouse function helps reduce delays by keeping goods immediately available for release when required?
(a) Provision of market
(b) Economy in time
(c) Subrogation
(d) Grading

Ans : MAIN 2012

(b) Economy in time
Warehousing cuts waiting periods between production and distribution. By storing items closer to markets, businesses can dispatch them swiftly upon demand. This responsiveness mitigates supply interruptions, allowing just-in-time replenishment and more fluid inventory flow. Fewer logistical setbacks mean improved customer satisfaction, reinforcing the importance of storage solutions for timely deliveries.

73. Which warehousing advantage ensures industries have a continuous supply of inputs, preventing production halts?
(a) Storage of perishable goods
(b) Seasonal production
(c) Storage of raw materials
(d) Exhibition of goods

Ans : SQP 2002

(c) Storage of raw materials
Warehouses maintain stable stocks of essential inputs, eliminating frequent ordering and transportation lags. Reliable raw material availability keeps manufacturing lines running smoothly, minimizing downtime and cost overruns. With controlled conditions and systematic management, stored inputs remain intact and accessible, ready for conversion into finished products whenever operational requirements arise.

74. Identify the principle of insurance based on the given information:
1. The policyholder must avoid reckless actions that could increase loss.
2. Allowing further damage during an insured event can lead to denial of claims.

(a) Contribution
(b) Mitigation of Loss
(c) Subrogation
(d) Indemnity

Ans : COMP 2015

(b) Mitigation of Loss
Mitigation of Loss requires the insured to take prudent measures to minimize or prevent additional damage. If the policyholder fails to act responsibly, the insurer may reduce or deny payment. This aligns precisely with the text's guidance on minimizing further harm during an insured event.

75. Identify the principle of insurance based on the given information:
1. The insured property is covered by two different policies.
2. Each insurer must pay an equitable share of the total claim, preventing double recovery.

(a) Insurable Interest
(b) Utmost Good Faith
(c) Contribution
(d) Subrogation

Ans : MAIN 2017

(c) Contribution
Contribution ensures that multiple insurers covering the same risk distribute claim liability proportionally. This prevents overcompensation of the insured and avoids unfairly burdening any single provider. The text notes this principle as critical when more than one policy covers the identical risk.

76. Identify the principle of insurance based on the given information:
1. The payout depends on whether the direct cause of damage is covered.
2. Losses caused mainly by an excluded peril are not compensated, even if smaller contributing factors are covered.

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methods to protect perishable items like fruits or dairy products. Proper storage prolongs shelf life, reduces loss, and upholds safety standards. By preventing spoilage, businesses minimize financial risk and consistently deliver fresh products to customers, strengthening both brand reputation and demand.

66. Which warehouse function provides protection against threats like theft or damage, distributing the potential losses among stakeholders?
(a) Handling of imports
(b) Sharing the risk
(c) Seasonal demand
(d) Curing or processing

Ans : MAIN 2006

(b) Sharing the risk
By consolidating goods in a secure environment, warehouses reduce individual exposure to unforeseen events. They typically incorporate measures like surveillance, insurance coverage, and safe storage practices. If losses occur, warehouse operators, insurers, and users share responsibility. This collective approach lowers each party's burden and promotes trust within the supply chain.

67. Which warehousing advantage ensures products are readily available during peak demand periods, even if production occurs off-season?
(a) Production in anticipation
(b) Grading
(c) Reverse logistics
(d) Seasonal demand

Ans : SQP 2018

(d) Seasonal demand
Warehousing allows goods to be stockpiled when production is high and demand is low, then released when demand spikes. This helps businesses capitalize on seasonal opportunities without overproducing in high-demand periods. By bridging the gap between manufacturing cycles and consumer needs, warehouses stabilize supply, increasing profits during peak market times.

68. Which transport method is generally preferred for local, short-distance distribution due to flexibility and door-to-door services?
(a) Air transport
(b) Rail transport
(c) Water transport
(d) Road transport

Ans : COMP 2003

(d) Road transport
Road transport excels in short hauls, offering flexible routing, frequent schedules, and direct point-to-point delivery. Trucks can navigate diverse roads and terrains, reaching locations inaccessible to rail or water routes. This accessibility, combined with relatively low operational complexity, makes road transport the prime choice for local distribution and consumer proximity.

NODIA

69. Which warehousing benefit involves aging, ripening, or otherwise refining certain products to improve their quality before sale?
(a) FIFO
(b) Curing or processing
(c) Public warehousing
(d) Exhibition of goods

Ans : MAIN 2004

(b) Curing or processing
Some warehouses facilitate processes like fermentation, maturation, or controlled-temperature ripening for beverages, cheeses, or fruits. By carefully managing conditions, they enhance flavor, texture, and overall quality. This service boosts product value and meets consumer preferences, illustrating how warehouses go beyond static storage to add tangible improvements to stored goods.

70. Which advantage of warehousing addresses scenarios where items are manufactured in a single location but sold across multiple regions?
(a) Seasonal production
(b) Buffer stock
(c) Production at one place but demand at various locations
(d) Indemnity

Ans : SQP 2009

(c) Production at one place but demand at various locations
Warehousing helps distribute merchandise to diverse markets separated by distance. Centralized production can minimize manufacturing costs and maintain consistent quality. Storing finished items strategically enables timely shipments to different regions. Businesses thus efficiently satisfy widespread demand, overcoming logistical challenges linked to distance, transport availability, and regional market preferences.

Ans : MAIN 2007

(a) Mitigation of Loss
Mitigation of Loss dictates the insured's responsibility to minimize or prevent further damage after an incident. Insurers will not fund losses made worse by policyholder inaction or negligence, aligning with the text's stipulation that policyholders must act prudently.

82. Identify the principle of insurance based on the given information:
1. After an accident, the insurer pays for total damage to the insured's vehicle.
2. The vehicle's salvage rights then transfer to the insurer, who may sell or dispose of it.

(a) Contribution
(b) Subrogation
(c) Causa Proxima
(d) Utmost Good Faith

Ans : SQP 2016

(b) Subrogation
With subrogation, the insurer acquires the salvage once it settles a total loss claim. This ensures the insured does not keep both the payout and any residual property value, consistent with the rule that no one may profit twice from the same occurrence.

83. Identify the principle of insurance based on the given information:
1. Two separate fire insurance policies protect a warehouse.
2. Each insurer pays a proportion of the total fire claim instead of allowing a double indemnity.

(a) Indemnity
(b) Contribution
(c) Causa Proxima
(d) Insurable Interest

Ans : COMP 2013

(b) Contribution
Contribution requires that when multiple policies cover the same property and risk, each insurer shares claim costs proportionally. This prevents the insured from collecting in excess of the actual loss amount while ensuring a fair distribution of liability among the insurers involved.

84. ABC Manufacturing regularly faces delays because raw materials arrive late from multiple suppliers. The operations manager decides to appoint someone to specifically ensure timely delivery of these materials to the production floor.
Which function of logistics does the new hire manage?
(a) Outbound logistics
(b) Inbound logistics
(c) Reverse logistics
(d) Sales management

Ans : MAIN 2021

(b) Inbound logistics
Inbound logistics focuses on sourcing and transporting materials from suppliers to production facilities. According to the text, it involves maintaining close communication with suppliers and ensuring a smooth flow of inputs for timely manufacturing.

85. After completing production, XYZ Company needs to dispatch large volumes of finished goods to distribution centers and customers. They hire a coordinator to handle product shipments and communication with transport operators.
This coordinator will manage:
(a) Sourcing of raw materials
(b) Inbound logistics
(c) Outbound logistics
(d) Financial auditing

Ans : SQP 2010

(c) Outbound logistics
Outbound logistics, or physical distribution management, handles the movement of finished products from the manufacturing unit to end users. The text highlights consistent coordination with transport providers and distribution channels under outbound logistics.

86. A fruit exporter needs to send fresh peaches from Farmtown to a neighboring country quickly to preserve their quality. Due to short shelf life, they must use the fastest mode available despite higher costs.
Which mode of transport is most suitable?
(a) Road
(b) Rail
(c) Water
(d) Air

Ans : COMP 2014

(d) Air
Air transport is best for perishable, time-sensitive, or high-value goods requiring rapid delivery. While more expensive, the text states it ensures quick service and accessibility to remote areas, which is crucial for fresh produce.

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maintains communication with carriers, and ultimately aims to satisfy customer requirements profitably.

55. Which statement best distinguishes inbound logistics from outbound logistics?
(a) Inbound deals with data entry, while outbound manages marketing
(b) Inbound focuses on finished goods, while outbound focuses on raw materials
(c) Inbound involves supplying materials to production, while outbound distributes final products
(d) Inbound is unrelated to storage, while outbound is unrelated to transport

Ans : SQP 2008

(c) Inbound involves supplying materials to production, while outbound distributes final products
Inbound logistics emphasizes sourcing and delivering raw materials or inputs to manufacturing. Outbound logistics centers on transporting and distributing completed goods to end users. These two complementary logistics activities form a seamless sequence, beginning with supplier coordination and concluding with final product delivery, ensuring efficient operations and marketplace fulfillment.

56. Which principle of insurance requires the policyholder to have a direct financial stake in the insured asset or event?
(a) Contribution
(b) Subrogation
(c) Insurable Interest
(d) Indemnity

Ans : COMP 2007

(c) Insurable Interest
Insurable interest dictates that someone purchasing insurance must stand to lose financially if damage or loss occurs. This ensures genuine coverage, not speculation. By proving a legitimate relationship with the property or event, the principle safeguards insurers against fraudulent claims and aligns the insured's interest with preserving the asset's value.

57. Which type of general insurance covers losses arising from unexpected flames damaging property?
(a) Marine insurance
(b) Fire insurance
(c) Life insurance
(d) Fidelity insurance

Ans : MAIN 2016

(b) Fire insurance
Fire insurance protects physical assets against losses caused by accidental fires. It compensates for damage to buildings, equipment, or stock within policy limits. The policy ensures businesses and individuals can recover from unforeseen calamities, minimizing financial impact and providing peace of mind for property owners facing potential combustion hazards.

58. Which general insurance policy covers medical expenses and healthcare costs?
(a) Marine insurance
(b) Life insurance
(c) Health insurance
(d) Fire insurance

Ans : SQP 2013

(c) Health insurance
Health insurance offsets medical bills stemming from illnesses, accidents, or other health-related issues. By pooling risk across many policyholders, insurers help pay for treatments, doctor visits, hospitalization, and medications. This coverage provides financial stability, ensuring policyholders receive necessary care without bearing the full burden of often expensive healthcare services.

59. Which type of insurance broadly protects against non-life risks like fire, marine, or health, offering compensation for losses other than the insured's life?
(a) Life insurance
(b) Property transfer insurance
(c) Liability insurance
(d) General insurance

Ans : COMP 2021

(d) General insurance
General insurance covers diverse risks excluding life. Examples include fire, marine, motor, and health policies. Its function is to indemnify policyholders against unexpected property losses, accidents, or health-related costs. Unlike life insurance, its benefit is triggered by specified events, providing valuable financial support during adverse circumstances or unforeseen damages.

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Ans : COMP 2018

(a) Mitigation of Loss
Mitigation of Loss dictates that policyholders take reasonable steps to lessen damage. By neglecting to protect the stock, the shopkeeper worsens the loss, giving the insurer grounds to reduce or deny full compensation, as stated in the text.

93. A business owns a high-value machine insured by two companies against fire damage. A minor blaze causes losses of \$10,000. Both insurers coordinate to pay their respective shares so that the total never exceeds \$10,000.
Which principle of insurance is illustrated?
(a) Causa Proxima
(b) Contribution
(c) Subrogation
(d) Utmost Good Faith

Ans : MAIN 2003

(b) Contribution
Contribution ensures that if multiple policies cover the same item, each insurer pays a proportional share. The insured cannot collect double, and the total payout matches the actual loss. This principle prevents unjust enrichment and equally distributes liability.

ASSERTION AND REASON

94. **Assertion (A) :** Inbound logistics emphasizes consistent communication with suppliers.
Reason (R) : Inbound logistics focuses on shipping finished goods to customers.
(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is true, but R is false
(d) A is false, but R is true

Ans : MAIN 2024

(c) A is true, but R is false
Inbound logistics centers on acquiring raw materials from suppliers, requiring ongoing coordination. Conversely, shipping finished goods to consumers characterizes outbound logistics. Hence, A is correct, and R erroneously describes outbound logistics. The provided text distinctly states inbound logistics ensures materials flow efficiently from suppliers into production rather than final distribution.

95. **Assertion (A) :** Philip Kotler emphasizes that market logistics should satisfy customer requirements at a profit.
Reason (R) : Ensuring customer satisfaction is the sole factor contributing to profitable logistics operations.
(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is true, but R is false
(d) A is false, but R is true

Ans : SQP 2023

(c) A is true, but R is false
Kotler's definition includes meeting customer demands profitably, but profitability also depends on effective cost control, efficient transportation, and streamlined operations, not solely satisfaction. Therefore, A accurately reflects Kotler, while R overly limits profit factors to customer satisfaction. The text clarifies logistics must incorporate planning, implementation, and control, making R incomplete.

96. **Assertion (A) :** Road transport is known for flexibility, quick service, and frequent schedules.
Reason (R) : Water transport is often faster than road for short distances.
(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is true, but R is false
(d) A is false, but R is true

Ans : COMP 2022

(c) A is true, but R is false
The text emphasizes road transport's flexibility, relative speed, and frequent service, especially over short distances. Water transport excels in cost efficiency and bulk capacity, not speed, making R incorrect. Consequently, road routes remain faster locally, aligning with the text's classification of transport modes, validating A as accurate and R false.

97. **Assertion (A) :** Rail transport is suitable for bulky commodities and long-distance travel.
Reason (R) : Rail transport is highly flexible for door-to-door local distribution.

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(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is true, but R is false
(d) A is false, but R is true

Ans : MAIN 2020

(c) A is true, but R is false
According to the text, rail transport effectively carries large, heavy freight economically across extended distances. However, it lacks door-to-door flexibility, relying on station networks and infrastructure. Therefore, A holds true, while R contradicts its limited accessibility. Rail remains strong for bulk but less adaptable locally, confirming A's accuracy over R.

98. **Assertion (A) :** Water transport has high carrying capacity and supports international trade.
Reason (R) : Water transport is the best option for perishable goods needing quick delivery.
(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is true, but R is false
(d) A is false, but R is true

Ans : SQP 2008

(c) A is true, but R is false
The text highlights water transport's extensive capacity and cost-effectiveness, making it ideal for international shipping. It is slow with roundabout routes, unsuitable for perishables demanding rapid delivery. Thus, A correctly describes water's economic advantages, while R misrepresents its applicability. Perishables typically rely on quicker modes, ensuring minimal spoilage, confirming C.

99. **Assertion (A) :** Air transport is unreliable and expensive to operate.
Reason (R) : Air transport is chosen for urgent deliveries despite its higher cost.
(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is true, but R is false
(d) A is false, but R is true

Ans : COMP 2007

(b) Both A and R are true, but R is not the correct explanation of A
The material states air transport can be expensive and occasionally disrupted by adverse conditions, rendering it relatively unreliable. Nonetheless, it remains quickest for urgent shipments. Both points stand, but R focuses on speed trade-offs rather than unreliability. Therefore, A and R are true, though R does not fully clarify A.

100. **Assertion (A) :** Road transport is the safest mode according to the text.
Reason (R) : Air transport handles hazardous goods more securely than road networks.
(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is true, but R is false
(d) A is false, but R is true

Ans : MAIN 2016

(c) A is true, but R is false
The text explicitly identifies road transport as the safest mode, prioritizing flexibility and door-to-door service. It does not claim air transport is safer for hazardous materials. Hence, A aligns with given information, whereas R conflicts with the text. Road safety remains an asserted advantage, invalidating R. Consequently, A is correct.

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101. **Assertion (A) :** Public warehouses can be used by anyone for a fee.
Reason (R) : Public warehouses are owned solely by government agencies.
(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is true, but R is false
(d) A is false, but R is true

Ans : SQP 2013

(c) A is true, but R is false
A stated, public warehouses are specialized facilities renting storage space to anyone, typically for limited durations. They may be privately owned or run by cooperatives, not exclusively government agencies. Therefore, A is accurate while R contradicts the text. Public operations remain accessible and diverse, validating C where A stands true.

102. **Assertion (A) :** Bonded warehouses store imported goods until customs duties are cleared.
Reason (R) : Bonded warehouses are typically located far from major ports to reduce traffic.

(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is true, but R is false
(d) A is false, but R is true

Ans : COMP 2021

(c) A is true, but R is false
The text explains bonded warehouses hold imports securely until customs duties are paid, aligning with A. However, they are commonly positioned near ports for easy oversight and clearance, rendering R incorrect. Thus, A matches the text, while R contradicts it. Bonded sites thrive on proximity to docks, validating A alone.

103. **Assertion (A) :** Government warehouses are managed primarily for public benefit.
Reason (R) : Government warehouses exclusively store private company goods for profit.
(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is true, but R is false
(d) A is false, but R is true

Ans : MAIN 2010

(c) A is true, but R is false
Government warehouses are owned and operated by public authorities serving broader societal interests. They cater to public sector needs, often providing safety stock or emergency reserves. Storing private goods for profit contradicts the text's stated function. Thus, A is correct, and R is unfounded, validating "C." Government facilities aid communities.

104. **Assertion (A) :** Warehousing allows sorting, packing, and labeling goods.
Reason (R) : Warehouses are strictly for final sale displays, ignoring any product preparation.
(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is true, but R is false
(d) A is false, but R is true

Ans : COMP 2011

(c) A is true, but R is false
Warehouses provide essential handling services, such as sorting, packing, and labeling, preparing items for further distribution. The text directly lists these tasks among warehouse functions. Claiming they focus exclusively on final displays contradicts the material. Consequently, A stands true, while R is false. Warehouses enhance product readiness, confirming correct classification.

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105. **Assertion (A) :** Stabilization of prices is an advantage of warehousing.
Reason (R) : Warehouses release goods only during peak production to boost surplus.
(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is true, but R is false
(d) A is false, but R is true

Ans : MAIN 2019

(c) A is true, but R is false
Warehousing helps balance supply and demand, preventing drastic price swings by storing surpluses and releasing products when demand rises. This stabilizes prices, making A correct. In contrast, R misrepresents the purpose, since warehouses do not boost surplus during peak production. They manage inventory strategically, confirming A valid and R false.

106. **Assertion (A) :** Buffer stock is maintained to prevent product shortages.
Reason (R) : Buffer stock ensures goods remain unavailable in the market until final demand fades.
(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is true, but R is false
(d) A is false, but R is true

Ans : SQP 2005

(c) A is true, but R is false
The text defines buffer stock as extra inventory held between business centers to prevent shortages and ensure stable supply. It does not withhold products until demand disappears. Instead, it safeguards against unforeseen fluctuations. Thus, A is correct, R contradicts objectives. Companies rely on buffer stock for consistent distribution, confirming "C."

107. **Assertion (A) :** FIFO (First In First Out) prevents products from expiring in storage.
Reason (R) : FIFO ensures that the oldest stock is dispatched first.

III. It has limited carrying capacity and can experience rate fluctuations.
IV. It is always cheaper than water transport.
(a) I and III are true
(b) II and IV are true
(c) I and II and IV are true
(d) I, III, and IV are true

Ans : MAIN 2021

(a) I and III are true
The text highlights road transport's flexibility, frequent service, and capacity constraints with varying costs. While it is useful for short to moderate distances, water transport is cheaper for bulky, long-haul shipments. Hence, (I) and (III) match the material; (II) and (IV) contradict the stated advantages of other modes.

117. When choosing rail transport, identify the accurate statements:
I. It is ideal for long-distance bulky commodities.
II. Rail transport is extremely flexible for door-to-door deliveries.
III. Industrialization benefited significantly from rail development.
IV. Maintenance costs are minimal for rail infrastructure.
(a) I and II are true
(b) III and IV are true
(c) I and III are true
(d) II and III are true

Ans : SQP 2008

(c) I and III are true
Rail is suited to heavy, long-haul freight and historically fueled industrial growth. Door-to-door flexibility and low maintenance costs do not align with the text; rail networks require substantial infrastructure investment and lack the adaptability of road transport. Thus, statements I and III reflect actual rail attributes from the material.

118. When opting for water transport, which statements correctly characterize it?
I. It is the slowest but most economical for bulky shipments.
II. Waterways are never affected by seasonal conditions.
III. It has a high carrying capacity and supports international trade.
IV. It is the fastest mode of transport.
(a) I, II, and III are true
(b) II and IV are true
(c) I and III are true
(d) III and IV are true

Ans : COMP 2007

(c) I and III are true
Water transport, as explained, is cost-effective for large cargo, albeit slow and often impacted by weather and specific routes. Its extensive capacity underpins global commerce. Statements II and IV contradict the text: water is not season-proof nor the fastest. Hence, I and III align with the described characteristics.

119. When an organization focuses on outbound logistics, which statements apply?
I. Outbound logistics handles physical distribution of finished products.
II. It centers on ordering raw materials from multiple suppliers.
III. Communication with transport operators is essential.
IV. Outbound logistics deals only with semi-finished goods in production.
(a) I and II are true
(b) I and III are true
(c) II and IV are true
(d) III and IV are true

Ans : SQP 2023

(b) I and III are true
Outbound logistics, also termed physical distribution management, coordinates finished goods' movement to customers and consistently interacts with transport providers. Ordering raw materials (II) reflects inbound logistics, and semi-finished goods (IV) lie outside outbound's scope. Consequently, statements I and III match the text's definition for outbound activities.

120. When evaluating air transport for commercial operations, identify which statements are valid:
I. Air transport is suitable for perishables and high-value items.
II. It is generally slow and inexpensive.
III. It has accessibility to remote areas.
IV. It entails high fares and maintenance costs.
(a) I, III, and IV are true
(b) I and II and IV are true
(c) II, III, and IV are true
(d) I and III are true

Ans : MAIN 2016

(a) I, III, and IV are true

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112. **Assertion (A) :** Underwriter evaluates insurance risks and determines coverage terms.
Reason (R) : Nominees handle premium payments and risk assessments for insurers.
(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is true, but R is false
(d) A is false, but R is true

Ans : SQP 2009

(c) A is true, but R is false
The text indicates an underwriter analyzes risk profiles and sets insurance conditions, reflecting A's truth. Conversely, a nominee receives the policy's benefits upon the insured's demise. Nominees do not calculate premiums or evaluate hazards, making R inaccurate. Hence, A stands correct, while R contradicts roles, validating "C." Underwriters maintain authority.

113. **Assertion (A) :** Cooperative warehouses meet the storage needs of members, like farmers.
Reason (R) : Cooperative warehouses are government owned for the exclusive use of state agencies.
(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is true, but R is false
(d) A is false, but R is true

Ans : SQP 2014

(c) A is true, but R is false
The text confirms cooperative warehouses are formed by member-based organizations, such as agricultural cooperatives, serving mutual needs. Government ownership characterizes government warehouses, not cooperative ones. Hence, A aligns with actual practice, while R directly conflicts with the material. Cooperatives remain distinct in structure and purpose, confirming A as true alone.

STATEMENT BASED QUESTIONS

114. When a firm appoints a manager exclusively for inbound logistics, identify which statements are true in this context:
I. He must manage inbound supplies of raw materials.
II. He controls the movement of finished goods to customers.
III. He maintains close communication with suppliers.
IV. He focuses on supplying inputs for production efficiency.
(a) I and II are true
(b) II and III are true
(c) I and III and IV are true
(d) I and IV are true

Ans : MAIN 2024

(c) I and III and IV are true
Inbound logistics concerns procuring and delivering raw materials from suppliers, maintaining tight supplier connections, and supporting production processes. Managing finished goods is outbound logistics. Therefore, statements I, III, and IV align with inbound responsibilities, while II describes distribution of completed products—a separate outbound task per the original text.

115. When referencing Philip Kotler's definition of market logistics, identify which statements are true:
I. Market logistics aims solely to minimize costs.
II. It involves planning and controlling the flow of products at a profit.
III. Meeting customer requirements is vital.
IV. Kotler focuses on inbound logistics only.
(a) I and IV are true
(b) II and III are true
(c) I, II, and III are true
(d) II and IV are true

Ans : COMP 2022

(b) II and III are true
Kotler's definition emphasizes planning, implementation, and control of physical flows to satisfy customer needs profitably. Cost minimization and inbound logistics alone (I and IV) do not capture his broader scope. Therefore, market logistics includes meeting customer demands while maintaining profitability, making statements II and III accurate per the material.

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116. When evaluating road transport for a company's distribution strategy, which statements hold true?
I. Road transport is generally flexible and offers frequent service.
II. It is strictly suitable for bulky goods traveling long distances.

(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is true, but R is false
(d) A is false, but R is true

Ans : COMP 2000

(a) Both A and R are true, and R is the correct explanation of A
Both statements reflect the text's definition of FIFO, where the earliest arrivals leave first, minimizing spoilage or obsolescence. By issuing older items before new ones, warehouses protect quality and reduce waste. Consequently, R directly explains why FIFO helps avert storage-related deterioration, validating A. This systematic approach maintains product freshness effectively.

108. **Assertion (A) :** Insurance is a social device to reduce uncertainty by spreading risk.
Reason (R) : Insurance covers speculative gains to increase policyholder profits.
(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is true, but R is false
(d) A is false, but R is true

Ans : MAIN 2006

(c) A is true, but R is false
The text defines insurance as a mechanism pooling risks among many, stabilizing individuals' finances against specified losses. It compensates genuine damages, not speculative profits. Hence, A aligns with the concept of social security, whereas R contradicts insurance's indemnity principle, disallowing policyholder profit. Therefore, A stands correct, while R remains invalid.

109. **Assertion (A) :** Principle of utmost good faith demands full disclosure from insurer and insured.
Reason (R) : Concealing material facts strengthens insurance claims.
(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is true, but R is false
(d) A is false, but R is true

Ans : SQP 2018

(c) A is true, but R is false
Utmost good faith requires honest, transparent disclosure by both parties regarding relevant risks and conditions. Concealment actually undermines claims, potentially voiding policies. Thus, A accurately outlines this principle, while R counters the text's stance that withholding critical information nullifies coverage. Insurance thrives on veracity, ensuring fair pricing and legitimate compensation.

110. **Assertion (A) :** Under the principle of indemnity, insurers can compensate beyond actual losses if premiums are high.
Reason (R) : Indemnity ensures policyholders do not profit from insurance claims.
(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is true, but R is false
(d) A is false, but R is true

Ans : COMP 2003

(d) A is false, but R is true
Indemnity limits compensation strictly to the claimant's verified loss, regardless of paid premiums. Insurance never grants profit under standard policies. Thus, A misrepresents indemnity's objective, while R correctly states that policyholders cannot benefit monetarily from claims. The text highlights no payout may exceed actual damage, validating R alone as correct.

111. **Assertion (A) :** Doctrine of subrogation allows the insurer to recover losses from third parties.
Reason (R) : After compensating the insured, the insurer stands in the insured's place against responsible entities.
(a) Both A and R are true, and R is the correct explanation of A
(b) Both A and R are true, but R is not the correct explanation of A
(c) A is true, but R is false
(d) A is false, but R is true

Ans : MAIN 2004

(a) Both A and R are true, and R is the correct explanation of A
The text clarifies that subrogation grants insurers the right to pursue or sue third parties liable for the loss once compensation is paid. This effectively places them in the insured's position. Thus, A matches the definition, and R offers exact reasoning. Both statements align, confirming the principle and its rationale.

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Air shipping is fast, reaching remote regions, and vital for high-value perishables. However, it remains expensive with steep operating expenditures, as indicated in the text. The mode is not slow or cheap, making II incorrect. Thus, statements I, III, and IV align with the outlined air transport factors.

121. When establishing a private warehouse, which statements are accurate?

I. It is owned and operated by individuals for the public's use.
II. It serves large manufacturers' or merchants' storage needs.
III. Lower initial investment is required compared to public warehouses.
IV. Ownership costs can be high, but operational control remains within the firm.

(a) I and II are true
(b) II and III are true
(c) II and IV are true
(d) I and III and IV are true

Ans : SQP 2013

(c) II and IV are true
The text explains private warehouses are built by sizable manufacturers or merchants for their own usage, requiring larger initial investments and granting full operational control. They are not publicly accessible for general storage (I is false), and they generally involve significant capital outlay (III is incorrect), confirming II and IV.

122. When selecting a public warehouse, identify valid statements:

I. Anyone can rent storage facilities there for a specific time.
II. It is licensed by the government for imported goods awaiting customs.
III. It may be owned by individuals or cooperative bodies.
IV. It is meant solely for government agencies.

(a) I and II are true
(b) I and III are true
(c) I, II, and IV are true
(d) II and IV are true

Ans : COMP 2021

(b) I and III are true
Public warehouses provide storage services broadly, available for lease by any party. They are frequently owned or managed by private individuals or cooperative entities. Licensing to hold imports subject to customs (bonded warehouse) and restricting usage exclusively to government agencies (government warehouse) differ from public warehouses' general accessibility.

123. When considering a bonded warehouse, which statements align with its description?

I. It is licensed to store imported goods until customs duties are paid.
II. It typically involves cooperation among farmers.
III. It is usually located near ports under government supervision.
IV. It secures goods for indefinite storage without tax obligations.

(a) I and III are true
(b) II and III are true
(c) I and IV are true
(d) II and IV are true

Ans : MAIN 2010

(a) I and III are true
Bonded warehouses, under government licensing, temporarily hold imported commodities until customs clearance. Their proximity to ports ensures easy inspections and regulated supervision. Cooperatives for farming (II) describe cooperative warehouses, and indefinite storage without taxes (IV) defies the text's requirement of customs duty payment. Thus, I and III remain correct.

124. When using a government warehouse, which statements are correct?

I. It is privately owned and leased to manufacturers.
II. It is owned and operated by government agencies.
III. It primarily meets public sector storage requirements.
IV. It stores goods awaiting customs duties.

(a) I and III are true
(b) II, III, and IV are true
(c) II and III are true
(d) I, II, and IV are true

Ans : SQP 2014

(c) II and III are true
Government warehouses belong to public authorities, serving broad societal interests, especially in the public sector. Bonded warehouses (statement IV) handle customs duty issues, whereas government warehouses do not specifically handle that function. Thus, statements II and III encapsulate their essential ownership and purpose per the provided text.

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to potential clients. By stocking inventory, warehouses moderate supply to curb sharp market fluctuations. Statement II is false: warehouses store finished goods as well, not just raw materials. Hence, I, III, and IV align with the text's warehousing functions.

PICTURE BASED QUESTIONS

134. Identify the concept described in the image:

(a) Air Transport
(b) Rail Transport
(c) Water Transport
(d) Road Transport

Ans : MAIN 2024

(c) Water Transport
The image depicts goods being transported on a cargo ship, which is a hallmark of water transport. This mode of transport is particularly well-suited for moving bulky goods over long distances. It is economical and plays a key role in international trade, despite being slower and less flexible than other transport modes.

135. Identify the Concept Described:

(a) Air Transport
(b) Water Transport
(c) Rail Transport
(d) Road Transport

Ans : SQP 2023

(d) Road Transport
The image shows goods being transported via a truck on a road, a common feature of road transport known for its flexibility and economic nature.

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136. Match the Type of Transport with Its Key Merit:

Transport Modes:		**Key Merit:**	
1	Air Transport	(a)	Suitable for bulky goods
2.	Rail Transport	(b)	Quick service
3.	Water Transport	(c)	Economical for international trade
4.	Road Transport	(d)	Flexible and adaptable

Ans : COMP 2022

1.-(b) Quick service
2.-(a) Suitable for bulky goods
3.-(c) Economical for international trade
4.-(d) Flexible and adaptable

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(a) I, II, and III are true
(b) II and IV are true
(c) I, III, and IV are true
(d) I and II are true

Ans : MAIN 2006

(c) I, III, and IV are true
Insurance indemnifies actual losses, curtails risk through pooling, and requires insurable interest. Profiting from a claim contradicts the indemnity principle. Hence, statement II is false, while I, III, and IV mirror the text's description of insurance as a contract to safeguard financial stability rather than yielding profit.

130. When referring to principles of insurance, which statements match the content?
I. Contribution means multiple insurers share liability proportionately.
II. Causa Proxima allows indirect causes for claims.
III. Utmost good faith requires honest disclosure.
IV. Insurable interest is unnecessary if the premium is high.
(a) I and III are true
(b) II and IV are true
(c) I, III, and IV are true
(d) I and II are true

Ans : SQP 2018

(a) I and III are true
Contribution distributes losses among multiple policies. Utmost good faith mandates full disclosure. Statements II and IV contradict the text: Causa Proxima necessitates direct covered causes, and insurable interest is always mandatory, irrespective of premium size. Consequently, I and III align with insurance principles stated in the material.

131. When applying doctrine of subrogation, which statements are valid?
I. The insurer steps into the insured's position after paying claims.
II. Subrogation allows the insured to collect twice for the same loss.
III. It prevents unfair gain from someone else's liability.
IV. It applies only if no other principles are involved.
(a) I, II, and III are true
(b) II and III are true
(c) I and III are true
(d) I and IV are true

Ans : COMP 2003

(c) I and III are true
After indemnifying the policyholder, subrogation transfers the right to pursue responsible third parties to the insurer, averting double recovery by the insured. Hence, I and III correctly reflect subrogation's purpose. Collecting twice (II) defies indemnity, and principle interactions (IV) do not vanish. The text confirms correct usage as stated.

132. When discussing life vs. general insurance, which statements match the text?
I. Life insurance compensates upon the event of the policyholder's death or maturity.
II. General insurance offers coverage against health, fire, and marine perils.
III. Life insurance is indefinite indemnity for property damage.
IV. General insurance includes actual-loss compensation for non-life risks.
(a) I, II, and IV are true
(b) II, III, and IV are true
(c) I and III are true
(d) I and II are true

Ans : MAIN 2004

(a) I, II, and IV are true
Life insurance covers life events, paying upon maturity or death. General insurance addresses specific risks (e.g., fire, marine, or health) with indemnity-based payouts. Statement III incorrectly defines life insurance as property coverage. Therefore, I, II, and IV accurately reflect differences between life and general insurance from the text.

133. When a firm uses warehousing to prepare goods for distribution, which statements are true?
I. It sorts, labels, and packs items before shipping.
II. Warehousing deals exclusively with storing raw materials.
III. Goods can be exhibited for prospective buyers.
IV. Warehouses help regulate supply, preventing market fluctuations.
(a) I and III and IV are true
(b) II and IV are true
(c) I and II are true
(d) I, II, and III are true

Ans : SQP 2009

(a) I and III and IV are true
Warehousing involves vital preparation—sorting, packing, labeling—and can display products

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125. When discussing cooperative warehouses, which statements correctly reflect their purpose?
I. They are established by cooperative societies.
II. They operate under private ownership for individual profit.
III. They often serve farmers or marketing cooperatives.
IV. They store goods for import duties.
(a) I and III are true
(b) II and IV are true
(c) I, III, and IV are true
(d) I and II are true

Ans : COMP 2011

(a) I and III are true
Cooperative warehouses arise from collective societies, such as agricultural cooperatives, to help members secure cost-efficient storage. Private ownership for profit (II) contradicts their communal foundation, and import/customs aspects (IV) describe bonded facilities. Therefore, I and III accurately represent cooperative warehouses' function and membership focus in the text.

126. When utilizing warehousing to stabilize product availability, which statements are valid?
I. Warehouses store goods until required for sale.
II. Warehousing eliminates any need for packaging or labeling.
III. Exhibiting goods to potential buyers can occur in warehouses.
IV. Delays in the market are reduced by maintaining buffer stocks.
(a) I, II, and IV are true
(b) I, III, and IV are true
(c) II and III are true
(d) I and II are true

Ans : MAIN 2019

(b) I, III, and IV are true
Warehousing allows goods to be kept until sale and displayed for buyers, while also minimizing market delays via buffer stock. The text stresses sorting, packing, and labeling as integral warehouse functions, so statement II is false. Hence, I, III, and IV accurately describe warehousing's roles and benefits.

127. When dealing with seasonal production using warehousing, identify correct statements:
I. Warehouses preserve surplus during off-season.
II. Seasonal products cannot be stored in any kind of warehouse.
III. Storage prevents price fluctuations and shortages.
IV. Warehousing is irrelevant for balancing supply and demand.
(a) I and II are true
(b) I and III are true
(c) II and IV are true
(d) III and IV are true

Ans : SQP 2005

(b) I and III are true
The text mentions storing seasonally produced goods to ensure availability when demand peaks, managing price stability. Thus, I and III match. Warehouse usage is vital for seasonal balance, so statements II and IV misrepresent their function. Consequently, storing surplus is essential to prevent sharp price shifts and supply disruptions.

128. When applying the principle of First In First Out (FIFO) in warehousing, which statements are correct?
I. The oldest items in stock are dispatched first.
II. FIFO disregards item expiry dates.
III. It prevents goods from becoming obsolete in storage.
IV. FIFO is irrelevant for perishable products.
(a) I and III are true
(b) II and IV are true
(c) I, II, and III are true
(d) II, III, and IV are true

Ans : COMP 2000

(a) I and III are true
FIFO dictates that the oldest stock leaves first, curbing spoilage and obsolescence by ensuring rotation. It is especially crucial for perishable goods, contradicting statement IV. FIFO naturally considers expiry to rotate inventory. Hence, (I) and (III) reflect correct usage, while (II) and (IV) conflict with the text's explanations.

129. When insurance is described in the text, which statements are accurate?
I. It is a contract of indemnity against specific losses.
II. Insurers allow policyholders to profit from claims.
III. Insurance reduces uncertainty by pooling risk.
IV. The insured must always have an insurable interest.

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137. Identify the Type of Warehouse:

(a) Public Warehouse
(b) Private Warehouse
(c) Bonded Warehouse
(d) Cooperative Warehouse

Ans : MAIN 2020

(c) Bonded Warehouse
Bonded warehouses store imported goods until customs duties are paid. They are often located near ports and operate under government supervision.

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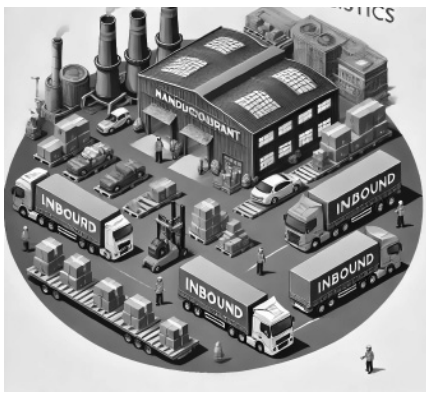
138. Identify the Logistic Activity:



(a) Inbound Logistics
(b) Outbound Logistics
(c) Warehousing
(d) Insurance

Ans : SQP 2008

(a) Inbound Logistics
Inbound logistics focuses on the efficient flow of materials and inputs from suppliers to the manufacturing units.

139. Identify the Concept Described:

(a) Private Warehouse
(b) Public Warehouse
(c) Bonded Warehouse
(d) Cooperative Warehouse

Ans : COMP 2007

(b) Public Warehouse
Public warehouses are specialized establishments providing storage facilities to the general public for a specific time. They are owned and managed by individuals, cooperative societies, or government entities, catering to public storage needs.

TRUE FALSE QUESTIONS

140. "Logistics management involves planning, implementation, and control of the material flow from suppliers to end users."
(a) True
(b) False

Ans : MAIN 2024

(a) True
The text states that logistics management is responsible for designing and administering systems that plan, implement, and control the movement of inputs and final goods, ensuring customer satisfaction and aligning with business strategies.

141. "Inbound logistics focuses primarily on sending finished products to customers."
(a) True
(b) False

Ans : SQP 2023

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211. Explain the importance of transport.

Ans : MAIN 2021

Transport is essential for the economic and social development of a country. Its importance can be outlined as follows:

1. Facilitates Trade and Commerce : Efficient transport enables the movement of goods and services, boosting trade and commerce activities.
2. Supports Industrial Growth : It ensures the availability of raw materials and distribution of finished products to markets.
3. Enhances Connectivity : Transport links rural and urban areas, promoting integration and reducing regional disparities.
4. Improves Quality of Life : By making goods and services accessible, transport enhances living standards.
5. Promotes Employment : The transport industry generates numerous jobs, from logistics to infrastructure development.

212. "Roads play an important role in connecting people and also in ensuring socio-economic growth of a country." Justify this statement by giving suitable reasons.

Ans : SQP 2010

Roads significantly contribute to socio-economic development in the following ways:

1. Connectivity: Roads connect rural and urban areas, facilitating the flow of people and goods.
2. Accessibility: They provide door-to-door transport services, unlike other modes of transport.
3. Economic Growth: Roads support industries and agriculture by ensuring timely delivery of raw materials and products.
4. Infrastructure Development: Well-developed road networks promote regional integration and infrastructure growth.
5. Emergency Support: Roads provide crucial access during emergencies, such as natural disasters, ensuring quick relief and rescue operations.

213. Explain any five disadvantages of Road Transport.

Ans : COMP 2014

1. Seasonal Nature: Roads become unsafe and unusable during heavy rains or floods.
2. Accidents and Breakdowns: Higher chances of accidents due to improper road conditions.
3. Unsuitable for Long Distances: Road transport is not ideal for carrying bulk goods over long distances.
4. Traffic Congestion: Urban areas face frequent traffic issues, causing delays.
5. Environmental Pollution: Vehicles contribute significantly to air and noise pollution.

214. Distinguish between Road Transport and Air Transport.

Ans : MAIN 2011

Road Transport	**Air Transport**
Transport is undertaken through artificial tracks and roads.	Transport is undertaken through natural ways and tracks.
Requires comparatively small investment.	Requires very large investment.
Speed varies based on the type of vehicle.	Air transport offers the fastest speed.
Primarily used for internal trade.	Used for both internal and external trade.
Best suited for short distances.	Can cover long distances.
Freight charges are low and predictable.	Freight charges are very high.

215. Distinguish between Land Transport and Water Transport.

Ans : SQP 2019

Land Transport	**Water Transport**
Operates on roads, railways, and pipelines.	Operates on rivers, seas, and oceans.
Limited carrying capacity compared to water transport.	High carrying capacity for bulky and heavy goods.
Affected by traffic congestion and road/rail conditions.	Affected by weather conditions like storms.
Suitable for short and medium distances.	Best suited for long distances.
Requires more frequent maintenance.	Requires less frequent maintenance.

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Ans : MAIN 2019

(a) True
As stated, bonded warehouses are licensed by government authorities to store imported merchandise pending payment of customs charges. These facilities are usually situated near ports and operate under strict supervision.

150. "Government warehouses are primarily established to meet private manufacturers' storage needs."
(a) True
(b) False

Ans : SQP 2005

(b) False
Government warehouses are described as owned, operated, and managed by public authorities to serve broader public purposes, not specifically for private manufacturers. Private or public warehouses typically cater to commercial manufacturing storage.

151. "The function of sorting, packing, and labeling goods often takes place inside a warehouse."
(a) True
(b) False

Ans : COMP 2000

(a) True
According to the text, warehouses not only store goods but also perform essential tasks like sorting, packing, and labeling to prepare items for distribution or sale, streamlining further logistics operations.

152. "Warehouses contribute to price stability by holding surplus supplies during periods of low demand."
(a) True
(b) False

Ans : MAIN 2006

(a) True
The text explains that warehouses can store surplus goods when demand is low and release them when demand increases, preventing extreme price fluctuations and ensuring more stable market conditions.

153. "Storage of perishable goods is impossible in modern warehouses because they lack advanced preservation technology."
(a) True
(b) False

Ans : SQP 2018

(b) False
Modern warehouses often include advanced refrigeration and climate-control systems, allowing them to store perishable goods effectively, prolonging shelf life and maintaining quality, as noted in the provided material.

154. "Insurance is a system that helps reduce financial uncertainties by sharing risk among many people."
(a) True
(b) False

Ans : COMP 2003

(a) True
The text characterizes insurance as a social device pooling financial risk so individuals can receive compensation for losses, reducing overall uncertainty and stabilizing economic well-being.

155. "The principle of indemnity allows the insured to receive compensation beyond the actual loss incurred."
(a) True
(b) False

Ans : MAIN 2004

(b) False
Under the indemnity principle, the insured is compensated strictly for actual losses. The policyholder cannot legally profit from an insurance payout, as highlighted in the text detailing this core insurance principle.

156. "The doctrine of subrogation grants the insurer all rights against third parties who caused the insured's loss."
(a) True
(b) False

Ans : SQP 2009

(a) True
Subrogation, according to the text, allows insurers to seek recovery from responsible third parties after compensating the insured. This ensures the policyholder does not double-claim, and the actual liable party bears ultimate responsibility.

157. "Contribution is irrelevant when more than one insurance policy covers the same risk."
(a) True
(b) False

Ans : COMP 2001

(b) False

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(b) False
Inbound logistics deals with sourcing, procuring, and transporting raw materials from suppliers to the production facility. Sending finished products to customers is part of outbound logistics, also called physical distribution management.

142. "Philip Kotler's definition of market logistics includes meeting customer requirements at a profit."
(a) True
(b) False

Ans : COMP 2022

(a) True
The text references Kotler's perspective: market logistics involves planning, implementing, and controlling physical flows to fulfill customer needs at a profit, emphasizing both efficiency and profitability in logistics operations.

143. "Rail transport is known for its flexibility and frequent door-to-door delivery services."
(a) True
(b) False

Ans : MAIN 2016

(b) False
The text specifies that while rail is suitable for long distances and bulky cargo, it lacks door-to-door flexibility. Road transport, not rail, is typically identified as having more flexible, frequent, and direct services.

144. "Air transport is often chosen for urgent shipments, especially when handling high-value or perishable goods."
(a) True
(b) False

Ans : SQP 2013

(a) True
The material highlights air transport's speed and suitability for perishable, time-sensitive, or expensive goods despite its higher cost. It ensures faster transit, making it the most logical choice for urgent cargo shipments.

145. "Water transport offers the highest speed and most flexible routes among all modes of transportation."
(a) True
(b) False

Ans : COMP 2021

(b) False
The text characterizes water transport as the most economical for bulky goods but also relatively slow, with potentially roundabout routes and dependency on waterways. Air transport is considered the fastest, and roads are typically more flexible.

146. "Road transport is recognized as the safest mode of transportation in the provided material."
(a) True
(b) False

Ans : MAIN 2010

(a) True
According to the text, road transport is mentioned as "the safest" with advantages including flexibility, frequent service, and minimal handling. Other modes have limitations like slower speeds (water) or higher costs (air), making road an overall safer choice in the description.

147. "Private warehouses are owned and managed by large manufacturers or merchants for their own goods."
(a) True
(b) False

Ans : SQP 2014

(a) True
The text states that private warehouses are maintained by big manufacturers or merchants to store their inventory. They contrast with public warehouses, which offer storage services to the general public.

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148. "Public warehouses allow any member of the public to rent storage facilities for a specified duration."
(a) True
(b) False

Ans : COMP 2011

(a) True
The text clearly notes that public warehouses are specialized establishments providing storage to anyone on a rental basis, typically for a set time. This is their primary distinction from private warehouses.

149. "Bonded warehouses are specifically licensed to hold imported goods until customs duties are paid."
(a) True
(b) False

Transport refers to the physical movement of goods and passengers from one place to another. It occurs via road, rail, air, or water and is essential for trade, commerce, and connectivity.

168. What is Land Transport?

Ans : COMP 2015

Land transport involves the physical movement of goods and passengers on land. It includes road transport, rail transport, ropeway transport, and pipeline transport. It is the most common form of transportation used for domestic purposes.

169. What is Rail Transport?

Ans : MAIN 2017

Rail transport refers to the movement of goods and passengers through trains on railway tracks. It is a reliable and cost-effective mode for transporting large quantities over long distances.

170. What is Pipeline Transport?

Ans : SQP 2024

Pipeline transport involves the movement of liquids and gases, such as petroleum and natural gas, through pipelines. It is economical and convenient for large volumes, although the initial installation and maintenance are costly.

171. What is Water Transport?

Ans : COMP 2023

Water transport refers to the movement of goods and passengers via ships, boats, and other vessels through rivers, seas, and oceans. It is economical for bulky goods over long distances.

172. Give the meaning of Air Transport.

Ans : MAIN 2022

Air transport involves the movement of passengers and goods through aircraft. It is the fastest mode of transport, suitable for high-value, lightweight, and perishable items, and is crucial for long-distance and inaccessible areas.

173. Explain any three reasons why warehousing is important.

Ans : SQP 2021

The importance of warehousing lies in its ability to support various aspects of trade and consumption:

1. Seasonal Production: Goods that are produced seasonally, such as wheat or rice, need to be stored in warehouses to ensure year-round availability to consumers. Warehousing helps bridge the gap between seasonal production and continuous supply.
2. Storage of Perishable Goods: Warehouses equipped with cold storage facilities preserve perishable items like fruits, vegetables, and dairy products, enabling consumers to access these items regularly throughout the year, regardless of their natural shelf life.
3. Production at One Place but Demand at Various Locations: When goods are manufactured at a location far from their market, warehouses help store and distribute them to different regions efficiently. This ensures timely availability for consumers at various locations.

174. What are Bonded Warehouses?

Ans : COMP 2020

A Bonded Warehouse is a storage facility established under an agreement with customs authorities for holding dutiable goods until the import duty is paid. These warehouses are typically located in port towns and operate under the supervision of customs officials. Licensed by the government, they offer facilities for grading and packing. Bonded warehouses are especially useful for goods that may need to be re-exported.

175. Distinguish between Private Warehouse and Public Warehouse.

Ans : MAIN 2017, 2013, 2011, 2008

Private Warehouse	**Public Warehouse**
Owned by manufacturers or traders.	Owned by government, public trusts and other public authorities
Located in rural and suburban areas with low cost availability.	Located in well-connected places such as areas with access to roads, railways, and waterways.
Used by Manufacturers or wholesalers fore storing their own goods.	Any businessman can store goods by paying certain charges.
Store goods product or purchase by the other owner.	Owner acts as a agent for the storage of goods belonging to other parties.

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The principle of contribution applies if the same risk is insured under multiple policies. Insurers share the claim proportionately, preventing the policyholder from collecting more than the actual loss or heavily burdening a single insurer.

158. "Causa Proxima dictates that losses must directly result from an insured event to be compensable."
(a) True
(b) False

Ans : MAIN 2012

(a) True
The text affirms that compensation is only awarded if the most immediate or dominant cause of loss is the covered peril, upholding the principle of Causa Proxima (proximate cause) in insurance.

159. "Utmost good faith requires both insurer and insured to disclose all essential facts."
(a) True
(b) False

Ans : SQP 2015

(a) True
Insurance transactions rely on openness and accuracy; the text specifies that both parties must fully disclose relevant details. Failing to do so may invalidate the contract or lead to claim disputes.

TWO MARKS QUESTIONS

160. Explain the term 'Logistics'.

Ans : MAIN 2024

Logistics is the process of managing the movement and storage of raw materials, parts, and finished goods from suppliers to the firm and eventually to customers.

161. Give two advantages of Rail Transport over Road Transport.

or

Explain any two advantages of Rail Transport.

Ans : SQP 2019, 2018, 2015

1. Capacity: Rail transport can carry heavy and bulky goods, whereas road transport has limited capacity.
2. Distance: Rail transport is suitable for carrying passengers and goods over long distances, while road transport is more effective for shorter trips.

162. Give any two merits of Water Transportation.

Ans : COMP 2017

1. Water transport is a relatively economical mode of transport for bulky and heavy goods.
2. It is a safe mode of transport with minimal risk of accidents.
3. The cost of maintaining and constructing routes is low as they are naturally made.
4. It promotes international trade.

163. State any two disadvantages of Road Transport over Water Transport.

Ans : MAIN 2016

1. Road transport is unsuitable for bulky and heavy goods, which are better handled by water transport.
2. Road transport involves higher operational costs compared to water transport, which is more economical for large-scale goods.

164. State any two disadvantages of Rail Transport.

Ans : SQP 2014

1. Delay: Rail transport involves significant time in booking and formalities, causing terminal delays due to waiting for wagons or shunting.
2. Damage: Frequent handling of goods during rail transport increases the chances of wear and tear, making it unsuitable for perishable and fragile items.

165. State two advantages of Road Transport over Air Transport.

Ans : COMP 2014

1. Road transport is economical for short distances, unlike air transport, which is costly.
2. It offers door-to-door delivery services, making it more flexible than air transport.

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166. State two disadvantages of Water Transport.

Ans : MAIN 2012

1. Water transport is slower compared to other modes of transport, leading to delays.
2. It is seasonal and dependent on favorable weather conditions, making it unreliable at times.

167. What is Transport?

Ans : SQP 2002

proposer to disclose all relevant material facts about the subject to be insured. Since the insurer cannot independently verify the information, they rely entirely on the details provided by the proposer. Concealing or misrepresenting facts allows the insurer to void the contract due to material misrepresentation. Premiums are determined based on the disclosed information. This principle establishes trust and ensures honesty between the insurer and the insured.

184. What do you understand by 'Health Insurance'?

Ans : SQP 2016

Health insurance is a type of insurance policy that provides coverage for medical expenses incurred due to illness or injury. It covers costs such as hospitalization, medicines, doctor's consultation, and diagnostic tests. The insured pays a premium, and the insurer reimburses or directly settles the medical expenses.

185. Distinguish between Life Insurance and General Insurance.

Ans : MAIN 2002

Feature	Life Insurance	General Insurance
Subject Matter Insured	Human life.	Property or assets.
Nature of Contract	It is a contingent contract.	It is a contract of indemnity.
Insurable Interest	Required only at the time of insurance.	Required at the time of insurance and at the time of loss.
Duration	It is a long-term contract.	Usually an annual contract.

Life insurance primarily focuses on financial security for individuals or their families, while general insurance protects physical assets and properties.

186. Mention any two types of general insurance.

Ans : SQP 2015

Two types of general insurance are:

1. Fire Insurance: It provides coverage against damages or losses caused by fire.
2. Marine Insurance: It covers risks associated with marine perils, such as losses or damages to ships, cargo, and freight due to sea-related incidents.

187. Explain 'Contribution' as a principle of insurance.

Ans : COMP 2017

The principle of Contribution applies when a property is insured with multiple insurers. In case of a loss, the insured can claim the total compensation from one insurer. The insurer, after settling the claim, can recover the proportionate amount from other insurers. This principle ensures that the liability for the loss is shared fairly among all the insurers. It is relevant only to contracts of indemnity, excluding life and personal accident insurance.

188. Mention any two main advantages of group life insurance to employees and employers.

Ans : MAIN 2024

1. For Employees: Group life insurance provides financial security for employees' families in case of an untimely death.
2. For Employers: It serves as a welfare benefit, boosting employee morale and loyalty.

189. What is life insurance?

Ans : SQP 2023

Life insurance is a contract where the insurer agrees to pay a specified sum of money to the insured's beneficiaries upon the insured's death or after a set period, in return for regular premium payments.

190. What is fire insurance?

Ans : COMP 2022

Fire insurance is an agreement where the insurer compensates the insured for any loss or damage caused to property due to fire during a specific period, as per the policy terms.

191. What is marine insurance?

Ans : MAIN 2021

Marine insurance is a policy that indemnifies the insured against losses or damages to ships, cargo, and freight caused by marine risks like storms, collisions, or other sea-related perils.

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176. Enumerate two types of Warehouses found in India.

Ans : SQP 2015

Warehouses in India are of the following types:
1. Public Warehouse: Used for storing goods belonging to any enterprise on a rental basis.
2. Private Warehouse: Meant for producers or manufacturers to store their own goods.
3. Bonded Warehouse: Situated near ports and complies with custom rules for imported goods.

177. State any two characteristics of an Ideal Warehouse.

Ans : COMP 2014

1. It should be conveniently located to reduce transportation costs.
2. It must have proper arrangements for the safety and security of goods stored.

178. Distinguish between Public Warehouses and Bonded Warehouses.

Ans : MAIN 2012

Feature	**Road Transport**	**Air Transport**
Infrastructure	Undertaken through artificial tracks like roads.	Undertaken through natural airways and tracks.
Investment	Requires comparatively low investment.	Requires very large investment.
Speed	Speed varies depending on the vehicle and road type.	Fastest mode of transport.
Trade Utility	Useful for internal trade.	Useful for both internal and external trade.
Distance Covered	Suitable for short distances.	Suitable for any distance, including international.
Freight Cost	Usually low and certain.	Usually very high.

179. Give the meaning of Warehousing.

Ans : SQP 2007

Warehousing is the systematic process of storing goods safely in a dedicated space until they are required for sale or distribution.

180. Explain any three Principles of Insurance.

Ans : COMP 2022, 2021, 2016

The following principles are essential for any insurance contract:
(i) Utmost Good Faith: Every insurance contract relies on mutual trust between the insurer and the insured. Both parties must disclose all relevant and material facts about the insurance subject. Withholding or falsifying information can void the agreement.
(ii) Indemnity: This principle ensures the insured is compensated only to the extent of the actual loss suffered. The aim is to restore the insured's financial position to what it was before the loss, without any profit.
(iii) Mitigation of Loss: The insured must act prudently to minimize losses in case of an accident or damage to the insured property. Failure to take reasonable steps can lead to the insurer declining the claim for losses resulting from negligence.

181. Write short notes on Fire Insurance.

Ans : MAIN 2013

Fire insurance is a contract where the insurer agrees to cover financial losses or damages caused by fire in exchange for a premium. It typically covers a specific period, usually one year, and is renewable. This policy compensates the insured for damages caused by fire, as outlined in the agreement.

182. What do you mean by Insurance?

Ans : SQP 2022, 2021

Insurance is a legal agreement where one party (the insurer) promises to compensate another (the insured) for losses due to unforeseen events. In return, the insured pays a premium. It acts as a financial safety net to mitigate risks and losses.

183. Briefly explain the principle of utmost good faith of insurance.

Ans : COMP 2020

The principle of "utmost good faith" requires the

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206. Mention any two demerits of air transport.

Ans : MAIN 2003

1. Expensive to operate and unsuitable for bulky goods.
2. It is unreliable and has high maintenance costs.

FIVE MARKS QUESTIONS

207. Explain any five merits of road transport.

Ans : MAIN 2024, 2020

Merits of Road Transport:

1. Flexibility: Road transport offers greater flexibility in routes and schedules, allowing adjustments based on individual needs without significant inconvenience.
2. Door-to-Door Service: Road transport provides door-to-door delivery, reducing loading and unloading costs, making it ideal for short-distance goods movement.
3. Economical for Short Distances: It is cost-effective for short distances due to low operational costs, minimal packing requirements, and savings on construction expenses compared to rail or air transport.
4. Service in Rural Areas: Road transport connects remote and inaccessible areas not served by rail or water transport, supporting economic activities in small villages and hilly regions.
5. Lesser Risk of Damage: Due to fewer handling stages, there is a reduced risk of damage to goods, making it suitable for transporting delicate items like glassware and ceramics.
6. Saving on Packing Costs: Unlike other modes of transport, road transport minimizes packing requirements, reducing expenses for shippers.
7. Rapid Speed: For urgent deliveries, road transport is quicker compared to rail or water transport, making it suitable for perishable goods.
8. Low Initial Investment: Road transport requires less capital for infrastructure, such as road construction, compared to rail or air transport, which involves high costs for tracks and airports.

208. Explain any five disadvantages of Air Transport.

Ans : MAIN 2023

1. Costly: Air transport involves high operational and maintenance costs, making it expensive.
2. Unsuitable for Bulk Goods: It is inefficient for transporting heavy and bulky goods over long distances.
3. Weather Dependency: Air transport is highly influenced by weather conditions, which can lead to delays or cancellations.
4. Limited Coverage: Air transport cannot reach remote areas that lack airport facilities.
5. Risk of Accidents: The risk involved in air travel is relatively higher due to potential technical failures or adverse weather conditions.

209. State any five advantages of Road Transport over Water Transport.

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Ans : SQP 2011

1. Road transport is more flexible, as roads are accessible everywhere, unlike water transport, which requires rivers or seas.
2. It provides door-to-door service, which water transport cannot offer.
3. Road transport is faster compared to water transport.
4. It can reach hilly and rocky terrains, which water transport cannot access.
5. Road transport offers more personalized and hassle-free services than water transport.

210. Explain the significance of logistics management.

Ans : COMP 2022

1. Cost Reduction and Profit Maximization: Logistics management reduces costs by improving material handling, safe transportation, and warehouse location efficiency.
2. Efficient Flow of Manufacturing Operations: Ensures on-time delivery of materials and proper utilization in production processes.
3. Competitive Edge: Provides better customer service, improving the competitive edge of businesses.
4. Effective Communication System: Develops continuous communication with suppliers, ensuring a quick response to customer needs.
5. Sound Inventory Management: Minimizes production delays by maintaining an efficient inventory system.

192. What is the definition of market logistics as given by Philip Kotler?

Ans : SQP 2020

According to Philip Kotler, "Market logistics involves planning, implementing, and controlling the physical flow of materials and finished goods from the point of origin to the point of use to meet customer requirements at a profit."

193. 2. Question: Name any two types of warehouses and explain their purpose.

Ans : COMP 2008

1. Private Warehouses: Owned and operated by manufacturers or merchants to fulfill their own storage needs.
2. Public Warehouses: Provide storage facilities to the general public for a specific time, usually managed by private or cooperative entities.

194. List two demerits of road transport.

Ans : MAIN 2007

1. Irregularities such as traffic and road conditions can cause delays.
2. Limited carrying capacity makes it unsuitable for heavy or bulky goods.

195. What is the main function of inbound logistics?

Ans : SQP 2016

Inbound logistics focuses on the smooth and cost-effective flow of raw materials and inputs from suppliers to the manufacturing process.

196. Why is water transport considered economical?

Ans : COMP 2013

Water transport is economical because it has low maintenance and operating costs and is well-suited for moving bulky goods over long distances.

197. Mention two merits of air transport.

Ans : MAIN 2021

1. Suitable for perishable and high-value goods.
2. Provides quick service and accessibility to remote areas.

198. Define the term 'Buffer Stock.'

Ans : SQP 2010

Buffer stock refers to the stock maintained between business centers to balance the flow of products and prevent shortages.

199. What is the role of warehouses in stabilizing prices?

Ans : COMP 2014

Warehouses stabilize prices by storing surplus goods during low demand periods and releasing them during high demand, preventing sharp price fluctuations.

200. State any two functions of warehouses.

Ans : MAIN 2011

1. Storage of Goods: Safeguards goods until required for use or sale.
2. Sorting, Packing, and Labeling: Prepares goods for distribution or final sale.

201. Name two types of insurance and their purpose.

Ans : SQP 2019

1. Life Insurance: Provides financial security to the insured's family in case of death.
2. Marine Insurance: Protects goods transported by sea against risks like damage or loss.

202. What does the principle of 'Utmost Good Faith' in insurance mean?

Ans : COMP 2005

The principle of utmost good faith means both parties (insured and insurer) must disclose all relevant facts truthfully for mutual benefit.

203. What is meant by 'First In, First Out' (FIFO) in warehousing?

Ans : MAIN 2000

FIFO is a rule in warehousing and costing, ensuring that the first item to enter the warehouse is the first to leave, maintaining inventory efficiency.

204. What are cooperative warehouses, and who uses them?

Ans : SQP 2006

Cooperative warehouses are established by cooperative societies to serve the storage needs of their members, such as farmers or marketing cooperatives.

205. List two advantages of water transport.

Ans : COMP 2018

1. High carrying capacity makes it ideal for bulky goods.
2. Supports international trade and is the most economical mode of transport.

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216. What is 'Standardization' of products? List any three benefits of standardization.

Ans : COMP 2017

Standardization refers to the process of maintaining uniformity and consistency in products by adhering to set quality norms and specifications.

Benefits of Standardization:

1. It ensures product quality, meeting customer expectations.
2. It simplifies production and reduces costs.
3. It facilitates trade by ensuring compatibility and interchangeability of products.

217. Explain any five importance of warehousing.

Ans : MAIN 2017

The following are the five key benefits of warehousing:

1. Seasonal Production: Goods produced seasonally (like wheat and rice) are stored to ensure year-round supply to consumers.
2. Seasonal Demand: Goods like woollen clothes and raincoats are produced throughout the year but needed seasonally. Warehouses preserve such goods for peak demand periods.
3. Storage of Perishable Goods: Perishable items like fruits and vegetables are stored in cold storage to maintain their quality and availability throughout the year.
4. Production at One Place but Demand at Various Locations: Warehousing ensures goods are stored near markets, making them available to consumers at different locations whenever needed.
5. Stabilisation of Prices: Warehouses help avoid price fluctuations by storing goods during surplus production and releasing them during demand.

218. Briefly discuss the different types of warehouses.

Ans : SQP 2005

Types of Warehouses:

1. Private Warehouses: These are owned and managed by manufacturers, traders, or private entities to store their goods exclusively. Farmers build them near fields, retailers near business centers, or manufacturers near factories. The design and facilities are tailored to the specific storage needs of the goods.
2. Public Warehouses: Operated for the general public, anyone can store goods here on rent. These warehouses require a government license to operate. They are often used by manufacturers, wholesalers, exporters, and importers.
3. Government Warehouses: These are owned and controlled by the government or public corporations. They are used for storing goods by both private and public sectors. Examples include the Central Warehousing Corporation of India.
4. Bonded Warehouses: These are licensed by the government to store imported goods until import duty is paid. They are generally located near ports and managed under the supervision of customs officials.
5. Co-operative Warehouses: Owned and managed by co-operative societies, they provide storage facilities at minimal cost to members of the society.

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219. Briefly explain any five advantages of warehousing.

Ans : COMP 2000

Advantages of Warehousing:

1. Storage of Goods: Warehouses allow goods to be stored systematically, ensuring their availability whenever needed.
2. Seasonal Demand and Production: Goods produced seasonally can be stored and supplied throughout the year, meeting market demand.
3. Price Stabilization: Warehousing helps regulate prices by storing surplus goods and releasing them during shortages.
4. Curing and Processing: Some goods require curing or processing before they are ready for market; warehouses facilitate this.
5. Risk Sharing: Warehouses minimize the risk of loss due to theft, spoilage, or damage by providing secure storage solutions.

220. Explain the following Principles of Insurance:
(i) Doctrine of Subrogation
(ii) Mitigation of Loss

Ans : MAIN 2019

(i) The Doctrine of Subrogation states that after compensating the insured for a loss, the insurer gains the right to all legal claims and remedies related to the property insured. These rights are limited to the sum insured or the actual loss, whichever is lower. This principle applies to all indemnity contracts, excluding life insurance.

(ii) The principle of Mitigation of Loss requires the insured to take all reasonable steps to minimize the loss or damage to the insured property during a mishap. The insured must not act carelessly and is expected to behave like a prudent person to prevent further loss or damage.

221. Explain Indemnity as a Principle of Insurance.

Ans : SQP 2018

The principle of Indemnity ensures that the insured is compensated only to the extent of the actual loss suffered, without making any profit. The insurer provides monetary compensation for the loss or damage caused by an insured event, up to the value of the policy. This principle applies to all contracts of insurance except life and personal accident insurance.

222. Distinguish between the Principle of Indemnity and the Principle of Insurable Interest.

Ans : COMP 2013

1. Principle of Indemnity: Ensures compensation to the insured for the actual financial loss suffered, up to the policy amount.
2. Principle of Insurable Interest: Requires the insured to have a financial or legal interest in the subject matter of the insurance, both at the time of policy inception and at the time of loss.

223. Explain Any Five Principles of Insurance.

Ans : MAIN 2017, 2015

1. Utmost Good Faith: Both insurer and insured must disclose all material facts honestly. Non-disclosure can void the contract.
2. Indemnity: Provides financial compensation for the actual loss suffered, ensuring no profit is made.
3. Mitigation of Loss: The insured must act prudently to minimize loss or damage to the property insured.
4. Contribution: If multiple insurers cover the same risk, they share the claim proportionally.
5. Causa Proxima: The loss must be caused directly by an insured peril to be recoverable.

224. Explain the Following Principles of Insurance:

Ans : SQP 2016, 2012

(i) Utmost Good Faith (Uberrimae Fidei):
It is the legal obligation of both the proposer and the insurer to disclose all material facts related to the insurance policy. Non-disclosure or concealment of such facts may render the contract void. This principle ensures mutual trust and transparency between the insured and the insurer.

(ii) Doctrine of Subrogation:
This principle states that after compensating the insured for their loss, the insurer gains all rights and remedies that the insured has over the property. This means the insurer can recover from third parties responsible for the damage to the insured property, up to the extent of the compensation paid.

225. Explain the Benefits of Taking an Insurance Policy.

Ans : COMP 2014

Benefits of Insurance to the Insured:

1. Protection: Insurance provides financial protection against various risks. Life insurance offers monetary support to the policyholder's family in the unfortunate event of the policyholder's death.
2. Savings: Life insurance promotes savings and thrift. Policyholders pay premiums regularly, which accumulate over time. On maturity, the policyholder receives a lump sum, which can be used for purposes like education, marriage, or home construction.
3. Financial Aid: Insurance policies allow policyholders to take loans against the policy. The loan amount can be repaid through installments, offering flexibility during financial emergencies.
4. Provision for Old Age: Insurance policies help individuals plan for their retirement. Policyholders can secure their old age without depending financially on others by creating a steady income post-retirement.
5. Tax Relief: Under the Income Tax Act, policyholders can avail of tax benefits on premiums paid, reducing their tax liabilities effectively.

226. What do you understand by 'Group Insurance'? State any three features of Group Insurance.

Ans : MAIN 2013

Group Insurance refers to a type of insurance policy that provides coverage to a group of people, typically employees of an organization or members of a society, under a single master policy.

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Features of Group Insurance:
1. Single Policy: It covers multiple individuals under one policy issued to the organization or group.
2. Cost-Effective: Premiums are generally lower compared to individual insurance policies.
3. Customizable Coverage: The policy can be tailored to suit the needs of the group.

227. Briefly explain various functions of insurance.

Ans : SQP 2021

Functions of Insurance:
1. Providing Certainty: Insurance ensures guaranteed compensation for losses. It removes the uncertainty of the timing and amount of losses.
2. Protection: It safeguards against potential financial losses, though it cannot prevent risks.
3. Risk Sharing: Losses are distributed among all insured members through premium contributions.
4. Capital Formation: Funds collected via premiums are invested in income-generating schemes, aiding economic development.

228. Distinguish between Fire Insurance and Marine Insurance.

Ans : COMP 2010

Fire Insurance:
1. Meaning: It covers losses due to fire or related events.
2. Insurable Interest: Must exist during policy inception and loss occurrence.
3. Objective: To cover fire-related risks.
4. Claim: The lesser of the insured amount or actual loss sustained.
5. Moral Responsibility: Insured is expected to act responsibly to prevent loss.
6. Policy Amount: Cannot exceed the value of the insured subject matter.

Marine Insurance:
1. Meaning: It covers losses due to maritime perils affecting cargo or ships.
2. Insurable Interest: Must exist at the time of loss.
3. Objective: To cover sea-related risks.
4. Claim: Includes the item's purchase price and a percentage of profit (10–15%).
5. Moral Responsibility: Not a condition.
6. Policy Amount: Can equal the cargo or ship's market value.

229. Distinguish between Life Insurance and General Insurance.

Ans : MAIN 2014

Life Insurance:
1. Meaning: Covers the life of an individual.
2. Nature: A form of investment.
3. Contract Term: Long-term.
4. Claim Payment: Paid upon event occurrence or policy maturity.
5. Premium: Paid over the policy term.
6 Insurable Interest: Must exist at contract inception.

General Insurance:
1. Meaning: Covers property or liability risks (e.g., fire, marine, motor).
2. Nature: A contract of indemnity.
3. Contract Term: Short-term.
4. Claim Payment: Reimburses loss during an uncertain event.
5. Premium: Paid as a lump sum.
6. Insurable Interest: Must exist at contract inception and during loss.

230. Distinguish between Life Insurance and Health Insurance.

Ans : SQP 2011

Life Insurance:
1. Meaning: Life insurance provides financial protection to the insured's family in case of the insured's demise or maturity of the policy.
2. Coverage: It covers the life of the insured individual.
3. Objective: Aimed at providing long-term financial security or investment returns.
4. Claim: The insured amount is paid either on policy maturity or to the nominee in case of the insured's death.
5. Term: Generally long-term.

Health Insurance:
1. Meaning: Health insurance covers the expenses incurred on medical treatment due to illnesses or accidents.
2. Coverage: Focuses on medical costs rather than life coverage.
3. Objective: Aimed at reducing the financial burden of healthcare expenses.
4. Claim: Reimburses medical costs like hospitalization and surgeries during the policy period.
5. Term: Typically annual or short-term contracts.

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231. Explain the classification of logistical activities with examples.

Ans : COMP 2019

Logistical activities can be classified into two categories:

1. Inbound Logistics :
   (i) Focuses on the flow of raw materials and inputs from suppliers to the manufacturing process.
   (ii) It requires maintaining a continuous interface with suppliers to ensure efficiency.
   (iii) Example: A car manufacturing company receiving parts like engines and tires from various suppliers.
2. Outbound Logistics:
   (i) Also known as physical distribution management or supply chain management.
   (ii) Deals with the movement of finished goods and related information from the manufacturing unit to customers.
   (iii) It involves maintaining communication with transport operators and distribution channels.

Example: Distributing packaged cars from the factory to showrooms.

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232. Compare the merits and demerits of road, rail, water, and air transport.

Ans : MAIN 2005

Mode of Transport	**Merits**	**Demerits**
Road Transport	Economic, flexible, safe, quick, less time-consuming, and frequent service.	Irregularities, limited carrying capacity, slow speed, and fluctuating rates.
Rail Transport	Suitable for bulky goods, long distances, economic, unaffected by weather, and safe.	Less accessible, inflexible, not suitable for local transport, and involves high maintenance costs.
Water Transport	Most economical, low maintenance, high carrying capacity, supports international trade.	Slow speed, seasonal availability, roundabout routes, unreliability, and dependency on specific routes.
Air Transport	Suitable for perishable goods, quick service, accessible to remote areas, and useful during calamities.	Expensive, unreliable, dangerous, high fares, and unsuitable for bulky goods.

233. Define warehousing and explain its types.

Ans : SQP 2000

Definition: Warehousing refers to the organized and systematic storage of goods on a large scale, ensuring their preservation and availability when needed.

Types of Warehouses:

1. Private Warehouses :
   (i) Owned and operated by large manufacturers or merchants.
   (ii) Serve their own storage needs.
2. Public Warehouses:
   (i) Specialized establishments providing storage facilities to the general public for a specific time.
   (ii) Can be owned and managed by private individuals or cooperative societies.
3. Bonded Warehouses :
   (i) Licensed by the government to store imported goods until customs duties are paid.
   (ii) Located near ports and operate under government supervision.
4. Government Warehouses :
   (i) Owned and operated by the government for public purposes.
   (ii) Cater to public sector storage needs.
5. Cooperative Warehouses:
   (i) Established by cooperative societies, such as agricultural groups.
   (ii) Serve the storage needs of members, like farmers or marketing cooperatives.

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234. Discuss the functions of warehouses and their importance in business.

Ans : COMP 2006

Functions of Warehouses:

1. Storage of Goods: Safeguards goods until required for use or sale.
2. Sorting, Packing, and Labeling: Prepares goods for distribution or sale.
3. Exhibition of Goods: Provides space for displaying goods to potential buyers.
4. Provision of Market: Ensures goods are readily available in the market.
5. Handling of Exports and Imports: Manages storage for international trade.
6. Sharing the Risk: Protects goods against risks like theft, loss, or damage.
7. Incidental Services for Marketing: Assists in marketing efforts.
8. Economy in Time: Reduces delays by ensuring goods are available on time.
9. Regulation of Supply: Balances market supply and demand.Importance in Business: Warehousing ensures the steady supply of goods, prevents price fluctuations, and supports seasonal demand and production cycles. It also facilitates international trade and enhances customer satisfaction by reducing delays.

235. Explain the principles of insurance with examples.

Ans : MAIN 2018

1. Utmost Good Faith : Both parties must disclose all relevant facts truthfully.
   Example: An individual declaring pre-existing health conditions when purchasing health insurance.
2. Insurable Interest : The insured must have a financial or legal interest in the subject matter of the insurance.
   Example: A person can insure their own house but not a stranger's house.
3. Indemnity : Compensation is provided only for actual losses incurred, preventing profit-making from insurance.
   Example: Car insurance covering the repair cost of an accident, not exceeding its value.
4. Doctrine of Subrogation : After compensating the insured, the insurer can claim all rights against third parties responsible for the loss.
   Example: If a vehicle is damaged due to another driver's negligence, the insurer can recover costs from the negligent driver.
5. Contribution : If multiple policies cover the same risk, insurers share the liability.
   Example: If a house is insured under two policies, both insurers share the compensation amount proportionally.
6. Causa Proxima : Compensation is provided only if the loss is directly caused by the insured event.
   Example: Fire insurance compensates for fire damage but not for theft during the fire.
7. Mitigation of Loss : The insured must take necessary steps to minimize losses.
   Example: Using fire extinguishers to control a fire before the arrival of firefighters.

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CASE BASED QUESTION

236. Ms. Priya, a businesswoman, took marine insurance for her goods worth ₹1. lakhs while transporting them from Mumbai to Chennai via ship. She was in a rush to meet her delivery deadlines and neglected to pack the goods securely, thinking it was not her responsibility. During the transit, the goods were severely damaged due to improper packing. When Ms. Priya filed a claim with the insurance company, the insurer refused to compensate her.

1. Will Ms. Priya be able to claim the insurance? Why?
2. Identify the principle of insurance involved.

Ans :

1. No, Ms. Priya will not be able to claim the insurance.
   Reason: She failed to take necessary precautions to minimize the damage, violating the principle of mitigation of loss.
2. Principle of Insurance: Mitigation of Loss.

237. Mr. Anil, the owner of a luxury car, purchased a car insurance policy for ₹5 lakhs. During the application process, he intentionally concealed that his driving license had been suspended twice due to reckless driving. After six months, his car met with an accident, and Mr. Anil filed an insurance claim for the damages. However, during the claim investigation, the insurer discovered the withheld information about his driving history. The insurance company subsequently rejected his claim.

1. Will Mr. Anil's claim be honored? Why?
2. Identify the principle of insurance involved.

Ans :

1. No, Mr. Anil's claim will not be honored.
   Reason: He violated the principle of utmost good faith by withholding critical information about his driving history.
2. Principle of Insurance: Utmost Good Faith.

238. A factory owner insured his machinery against fire for ₹2. lakhs. However, he also purchased two additional policies with other insurance companies for the same machinery, each worth ₹2. lakhs. A fire broke out in the factory, destroying the machinery. The owner filed a claim with all three insurers, demanding the full amount of ₹2. lakhs from each policy. The insurers reviewed the situation and refused to pay the full amount.

1. Can the factory owner claim the entire amount from each insurer? Why?
2. Identify the principle of insurance involved.

Ans :

1. No, the factory owner cannot claim the entire amount from each insurer.
   Reason: The principle of contribution ensures that all insurers share the liability proportionally, and the compensation cannot exceed the actual loss.
2. Principle of Insurance: Contribution.

239. A farmer living in a flood-prone area insured his crops against flood damage. During a monsoon, his fields were destroyed due to heavy rains, and he filed a claim with the insurance company. However, after the claim investigation, the insurer discovered that the damage was not caused by floods but due to waterlogging from poor drainage in the fields. The insurer rejected the claim, citing the terms of the policy.

1. Will the farmer be compensated for his losses? Why?
2. Identify the principle of insurance involved.

Ans :

1. No, the farmer will not be compensated.
   Reason: The principle of causa proxima ensures that only losses directly caused by the insured peril (in this case, floods) are compensated, and waterlogging is not covered under the policy.
2. Principle of Insurance: Causa Proxima (Proximate Cause).

240. Mr. Raj insured his house against fire for ₹2. lakhs. One day, an electrical short circuit caused a fire in his house, but Mr. Raj failed to take immediate steps to control the fire. Instead of calling the fire department, he waited for hours, leading to more severe damage. When he filed a claim with the insurer, the company refused to pay for the additional losses.

1. Will Mr. Raj be compensated for the additional damage? Why?
2. Identify the principle of insurance involved.

Ans :

1. No, Mr. Raj will not be compensated for the additional damage.
   Reason: He violated the principle of mitigation of loss by not taking prompt action to minimize the damage caused by the fire.
2. Principle of Insurance: Mitigation of Loss.

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241. Ms. Kavita, the owner of a retail shop, insured her shop and inventory for ₹30 lakhs. A burglary occurred in her shop, and the losses were found to be ₹50 lakhs. When she filed a claim, the insurer offered a compensation amount lower than ₹30 lakhs. Ms. Kavita was upset and demanded the full insured amount.

1. Will Ms. Kavita receive the full amount of ₹30 lakhs as compensation? Why?
2. Identify the principle of insurance involved.

Ans :

1. No, Ms. Kavita will not receive the full amount of ₹30 lakhs.
   Reason: The principle of indemnity ensures that compensation is limited to the actual loss suffered. Since the shop was underinsured, the insurer will compensate only proportionally.
2. Principle of Insurance: Indemnity.

242. A businessman insured his imported goods against theft and damage during transit. After a robbery on the transport truck, the insurance company compensated him for the stolen goods. Subsequently, the insurer filed a lawsuit against the transport company to recover the compensation paid.

1. Why did the insurer file a lawsuit against the transport company?
2. Identify the principle of insurance involved.

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Ans :

1. The insurer filed a lawsuit against the transport company to recover the compensation paid to the businessman for the stolen goods.
   Reason: The principle of subrogation gives the insurer the right to claim damages from third parties responsible for the loss.
2. Principle of Insurance: Subrogation.

243. Mr. Sharma insured his factory for ₹1 crore. After a fire accident, it was revealed during the investigation that Mr. Sharma had intentionally set the fire to claim the insurance amount. When the insurer discovered this, the claim was rejected, and legal action was initiated against Mr. Sharma.
1. Will Mr. Sharma's claim be accepted? Why?
2. Identify the principle of insurance involved.

Ans :

1. No, Mr. Sharma's claim will not be accepted.
   Reason: Insurance does not cover intentional acts of damage caused by the insured, as this violates the principles of indemnity and utmost good faith.
2. Principle of Insurance: Indemnity and Utmost Good Faith.

244. A trading company insured its goods for shipment by sea. During transit, the goods were damaged by rodents, a risk that was not specified in the insurance policy. The company filed a claim, but the insurer rejected it, stating that the damage was not caused by an insured peril.
1. Will the trading company's claim be honored? Why?
2. Identify the principle of insurance involved.

Ans :

1. No, the trading company's claim will not be honored.
   Reason: The principle of causa proxima ensures that only losses caused by explicitly insured perils are covered. Rodent damage was not an insured peril.
2. Principle of Insurance: Causa Proxima (Proximate Cause).

245. Mr. Verma purchased a fire insurance policy for his factory worth ₹50 lakhs. After a fire destroyed the factory, the insurer discovered that Mr. Verma was only leasing the property and did not own it. As a result, the insurance company rejected his claim.
1. Why did the insurance company reject Mr. Verma's claim?
2. Identify the principle of insurance involved.

Ans :

1. The insurance company rejected Mr. Verma's claim because he lacked legal ownership or financial interest in the factory.
   Reason: The principle of insurable interest requires the insured to have a legal or financial interest in the subject matter.
2. Principle of Insurance: Insurable Interest.

246. Mr. Ravi insured his restaurant against fire for ₹40 lakhs. During a fire caused by negligence, the restaurant suffered damages amounting to ₹2. lakhs. However, Mr. Ravi had also taken another fire insurance policy for the same restaurant worth ₹30 lakhs from a different insurer. When he filed a claim with both insurers, he demanded the entire amount from both policies.
1. Can Mr. Ravi claim the full amount from each insurer? Why?
2. Identify the principle of insurance involved.

Ans :

1. No, Mr. Ravi cannot claim the full amount from each insurer.
   Reason: According to the principle of contribution, all insurers share the liability proportionally, and the total compensation cannot exceed the actual loss of ₹2. lakhs.
2. Principle of Insurance: Contribution.

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247. Ms. Lata insured her jewelry for ₹1. lakhs. The jewelry was stolen during a burglary. After the insurer compensated her for the stolen items, the police recovered the stolen jewelry. The insurer then demanded possession of the recovered items.
1. Why did the insurer demand the recovered jewelry?
2. Identify the principle of insurance involved.

Ans :

1. The insurer demanded the recovered jewelry because, after compensating Ms. Lata, the ownership rights for the insured items transferred to the insurer.
   Reason: The principle of subrogation allows the insurer to recover their losses by claiming the rights of the insured property.
2. Principle of Insurance: Subrogation.

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248. A logistics company insured its warehouse and goods against fire damage for ₹50 lakhs. During the policy period, a fire broke out in the warehouse due to a gas leak. The company claimed compensation, but the insurer refused to pay, stating that the fire was caused by improper safety measures.

1. Will the logistics company receive compensation? Why?
2. Identify the principle of insurance involved.

Ans :

1. No, the logistics company will not receive compensation.
   Reason: The company failed to implement necessary safety measures, violating the principle of mitigation of loss.
2. Principle of Insurance: Mitigation of Loss.

249. Mr. Ajay purchased marine insurance for transporting machinery worth ₹2. lakhs. The goods were damaged in transit due to a sudden storm at sea. However, the insurance company denied the claim, stating that the damages were due to poor packaging by Mr. Ajay.

1. Can Mr. Ajay claim compensation for the damages? Why?
2. Identify the principle of insurance involved.

Ans :

1. No, Mr. Ajay cannot claim compensation for the damages.
   Reason: The principle of causa proxima states that only the proximate cause of loss covered by the policy is compensable. In this case, the poor packaging, not the storm, was the cause of damage.
2. Principle of Insurance: Causa Proxima (Proximate Cause).

250. Mr. Sharma insured his car for ₹1. lakhs. After two years, his car was stolen. During the investigation, it was found that Mr. Sharma had failed to install an anti-theft device as agreed in the policy terms.

1. Will Mr. Sharma's claim be honored? Why?
2. Identify the principle of insurance involved.

Ans :

1. No, Mr. Sharma's claim will not be honored.
   Reason: Mr. Sharma violated the policy terms, breaching the principle of utmost good faith by not disclosing the absence of the anti-theft device.
2. Principle of Insurance: Utmost Good Faith.

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251. A farmer insured his crops against hailstorms. After a heavy storm, his crops were severely damaged. Upon investigation, it was found that the farmer had failed to take proper precautions to protect the crops.

1. Will the farmer receive compensation for the damage? Why?
2. Identify the principle of insurance involved.

Ans :

1. No, the farmer will not receive full compensation for the damage.
   Reason: The farmer failed to take preventive measures to reduce the damage, violating the principle of mitigation of loss.
2. Principle of Insurance: Mitigation of Loss.

252. Ms. Kavita, a shop owner, insured her shop for ₹20 lakhs against theft. The shop was robbed, and she claimed the full insured amount. However, the insurer compensated her only ₹1. lakhs, the actual value of the stolen items.

1. Why did the insurer not pay the full insured amount?
2. Identify the principle of insurance involved.

Ans :

1. The insurer did not pay the full insured amount because the principle of indemnity states that compensation is limited to the actual loss suffered, which was ₹1. lakhs.
2. Principle of Insurance: Indemnity.

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253. Mr. Vijay took life insurance for ₹50 lakhs. He passed away due to an accident, and his family filed a claim. The insurance company reviewed the claim and found that Mr. Vijay had disclosed all facts truthfully at the time of purchasing the policy.

1. Will Mr. Vijay's family receive the claim amount? Why?
2. Identify the principle of insurance involved.

Ans :

1. Yes, Mr. Vijay's family will receive the claim amount.
   Reason: Mr. Vijay upheld the principle of utmost good faith by disclosing all relevant facts truthfully during the policy purchase.
2. Principle of Insurance: Utmost Good Faith.

254. A businessman insured his office against theft for ₹40 lakhs. When a theft occurred, the insurer compensated him. However, the police later arrested the thief and recovered stolen property worth ₹1. lakhs. The insurer demanded the recovered amount from the businessman.

1. Why did the insurer demand the recovered amount?
2. Identify the principle of insurance involved.

Ans :

1. The insurer demanded the recovered amount because, after compensating the businessman, the insurer gained the rights to claim recovery from the stolen property.
   Reason: This aligns with the principle of subrogation.
2. Principle of Insurance: Subrogation.

255. Ms. Rekha insured her factory for ₹1 crore. A fire broke out, and she filed a claim for ₹50 lakhs for damages. The insurer discovered that she had no ownership or financial interest in the factory.

1. Will Ms. Rekha's claim be approved? Why?
2. Identify the principle of insurance involved.

Ans :

1. No, Ms. Rekha's claim will not be approved.
   Reason: The principle of insurable interest requires the insured to have a legal or financial interest in the subject matter of the insurance.
2. Principle of Insurance: Insurable Interest.

256. A logistics company took warehouse insurance for ₹1 crore to protect its stored goods. During a flood, water entered the warehouse and damaged a significant amount of inventory. However, it was later discovered that the warehouse owner had failed to implement proper drainage systems, leading to excessive water accumulation.

1. Will the logistics company receive compensation? Why?
2. Identify the principle of insurance involved.

Ans :

1. No, the logistics company will not receive full compensation.
   Reason: The owner violated the principle of mitigation of loss by failing to take necessary preventive measures, such as installing proper drainage systems.
2. Principle of Insurance: Mitigation of Loss.

257. Mr. Ramesh insured his fleet of delivery trucks for ₹50 lakhs. One of his trucks was involved in an accident due to the driver's negligence, causing extensive damage to the vehicle. The insurer refused to pay the full claim amount, stating that the damages could have been minimized if the driver had followed safety regulations.

1. Why did the insurer refuse to pay the full amount?
2. Identify the principle of insurance involved.

Ans :

1. The insurer refused to pay the full amount because the driver's negligence violated the principle of mitigation of loss. Following safety regulations could have reduced the damage.
2. Principle of Insurance: Mitigation of Loss.

258. A shipping company insured its cargo worth ₹30 lakhs. During transit, the ship encountered a severe storm, causing some of the containers to fall into the ocean. The shipping company filed a claim for the loss, but the insurer discovered that the containers were not properly secured as per standard shipping practices.

1. Will the shipping company be compensated for the loss? Why?
2. Identify the principle of insurance involved.

Ans :

1. No, the shipping company will not be compensated for the loss.
   Reason: The company failed to take necessary precautions, such as securing the containers, which violated the principle of utmost good faith.
2. Principle of Insurance: Utmost Good Faith.

259. A supermarket owner insured its cold storage facility for ₹2. lakhs. A power failure caused the refrigeration system to stop, leading to the spoilage of frozen goods worth ₹5 lakhs. The insurer compensated the owner for the losses. Later, it was discovered that the power failure was due to negligence by the electricity supplier. The insurer initiated legal action against the electricity supplier to recover the compensation paid.

1. Why did the insurer file legal action against the electricity supplier?
2. Identify the principle of insurance involved.

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Ans :

1. The insurer filed legal action to recover the compensation paid to the supermarket owner because the electricity supplier's negligence was responsible for the power failure.
   Reason: The principle of subrogation allows the insurer to claim recovery from a third party responsible for the loss.
2. Principle of Insurance: Subrogation.

260. A pharmaceutical company insured its shipment of medicines worth ₹1. lakhs while transporting them to another city. During transit, the medicines were exposed to extreme heat due to a malfunctioning cooling system in the transport vehicle, rendering them unusable. The company filed a claim with the insurer, but the insurer denied it.

1. Why did the insurer deny the claim?
2. Identify the principle of insurance involved.

Ans :

1. The insurer denied the claim because the loss was caused by the malfunctioning cooling system, which was not a covered peril under the policy.
   Reason: The principle of causa proxima ensures that only losses directly caused by insured perils are compensated.
2. Principle of Insurance: Causa Proxima (Proximate Cause).

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CHAPTER 6

BANKING

SUMMARY

1. CENTRAL BANK

The Central Bank is the apex institution responsible for controlling, regulating, and stabilizing the banking and monetary system of a country. In India, the Central Bank is called the Reserve Bank of India (RBI).

2. FUNCTIONS OF CENTRAL BANK

Functions of central bank are as follows :

(i) Monopoly of note-issue
(ii) Banker, Fiscal agent, and Advisor to the government.
(iii) Banker's bank.
(iv) Lender of the last resort.
(v) Controller of credit.
(vi) Custodian of foreign currency.
(vii) Maintenance of exchange rate.
(viii) Provision of clearing house facility.
(ix) Development functions.

3. COMMERCIAL BANKS

Commercial banks perform all kinds of banking functions such as accepting deposits, advancing loans, creating credit, and carrying out agency functions. They are often called joint-stock banks because they are organized in a manner similar to joint-stock companies.

3.1 Saving Deposit Account

On these deposits, the bank pays a certain rate of interest to the depositors but places certain restrictions on their withdrawals.

3.2 Recurring Deposit Account

These deposits can be opened with a small amount deposited over a specified period, and the depositor keeps on depositing a certain sum of money every month.

3.3 Current Deposit Account

In these accounts, money may be deposited and withdrawn at any time. Current accounts can only be opened by business houses.

3.4 Fixed Deposit Account

The account which is opened for a particular fixed period (time) by depositing a particular amount (money) is known as a Fixed (Term) Deposit Account. The term 'fixed deposit' means that the deposit is fixed and is repayable only after a specific period is over.

4. INTERNET BANKING

Banking transactions done through the internet is called internet banking.

Types of Internet Banking Services :

1. Real Time Gross Settlement (RTGS) : It is a fund transfer system under which transfer of funds takes place from one bank to another on a Real Time (without waiting period) and 'Gross' basis.
2. National Electronic Funds Transfer (NEFT): It is a countrywide system by which an individual, firm, or company can electronically transfer funds from any bank branch to another individual, firm, or company having an account with any other bank branch in the country.
3. Electronic Funds Transfer System (EFTS) : Under this system, money can be transferred from one account to another account.
4. Immediate Mobile Payment Service (IMPS) : It is a system used to make payment through the mobile number or Aadhaar card number linked to the bank account.
5. Mobile Wallets/E-Wallets : It is a type of electronic card used for transactions made online through a computer or a smartphone. E-Wallet is a type of prepaid account in which a user can store the money for any future online transactions.

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Debit Cards are linked to a user's bank account and deduct funds directly for payments, whereas Credit Cards allow users to borrow money from the bank up to a predetermined credit limit, with repayment required later.

47. Which of the following terms best describes the intangible creations of the human intellect, such as inventions, literary works, and artistic designs?
(a) Intellectual Property (IP)
(b) Browser Cookies
(c) E-Wallet Transactions
(d) Cyber Security

Ans : SQP 2012

(a) Intellectual Property (IP)
Intellectual Property (IP) encompasses intangible creations of the human mind, protected by laws like patents, copyrights, and trademarks. It ensures that creators retain rights over their innovations and works.

48. What is the primary purpose of a Recurring Deposit Account, and how does it benefit individuals seeking disciplined savings?
(a) It allows unlimited deposits and withdrawals without penalties.
(b) It provides higher interest rates for monthly fixed deposits over time.
(c) It is exclusively for business transactions and high-value deposits.
(d) It requires a large lump sum deposit at the start.

Ans : COMP 2015

(b) It provides higher interest rates for monthly fixed deposits over time.
Recurring Deposit Accounts are designed for individuals to deposit a fixed amount monthly for a specified period. They offer higher interest rates than savings accounts, encouraging disciplined and consistent saving habits.

49. What role does the Central Bank play in maintaining exchange rates, and why is this function critical for international trade?
(a) It directly sets the global currency exchange rates.
(b) It intervenes in the forex market to stabilize currency value.
(c) It bans the use of foreign currencies domestically.
(d) It replaces all domestic currency with foreign reserves.

Ans : MAIN 2017

(b) It intervenes in the forex market to stabilize currency value.
The Central Bank manages exchange rates by buying or selling foreign currency reserves to reduce volatility and maintain stable currency values. This ensures smooth international trade and investor confidence.

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50. Which of the following is NOT a benefit of Internet Banking for customers?
(a) Convenient fund transfers from anywhere
(b) 24/7 access to banking services
(c) Physical delivery of cash to homes
(d) Easy bill payments and financial tracking

Ans : MAIN 2024

(c) Physical delivery of cash to homes
Internet Banking provides numerous conveniences like fund transfers, bill payments, and access to account information. However, it does not include physical delivery of cash, which requires ATM visits or branch services.

51. Which of the following describes the role of the Central Bank as a clearinghouse, and how does it facilitate interbank transactions?
(a) It provides loans to customers of multiple banks.
(b) It enables the settlement of mutual claims among banks.
(c) It monitors ATM withdrawals across banks.
(d) It distributes currency directly to customers.

Ans : SQP 2023

(b) It enables the settlement of mutual claims among banks.
The Central Bank acts as a clearinghouse to facilitate the daily settlement of interbank transactions, such as cheque clearances. This role helps streamline operations and maintain liquidity in the banking system by offsetting mutual claims without requiring physical transfers of funds.

52. Which of the following is a primary feature of Immediate Mobile Payment Service (IMPS), and how does it benefit users?
(a) It allows offline fund transfers.
(b) It processes fund transfers instantly using mobile numbers or Aadhaar.
(c) It is only available during banking hours.
(d) It requires physical presence at a bank branch.

4. Banking Regulation Act of 1949 was made for :
(a) Reserve Bank of India
(b) Commercial Banks
(c) Government's Bank
(d) Bankers' Bank

Ans : MAIN 2020

(b) Commercial Banks
The Banking Regulation Act of 1949 was enacted to regulate commercial banks in India. It provides guidelines for the functioning, licensing, management, and operation of commercial banks, ensuring the stability and efficiency of the banking system. It does not apply specifically to the Reserve Bank of India.

5. Central Bank is the lender of the last resort to :
(a) The Government
(b) The Commercial Banks
(c) The general public
(d) The International Organisations

Ans : SQP 2008

(b) The Commercial Banks
The Central Bank, such as the Reserve Bank of India, acts as the lender of the last resort for commercial banks by providing financial assistance in times of liquidity crises. This ensures stability in the banking system and prevents the collapse of banks during financial emergencies.

6. Central Bank is the custodian of :
(a) Bullion reserves
(b) Gold
(c) Foreign currency
(d) All of these

Ans : COMP 2007

(d) All of these
The Central Bank serves as the custodian of a country's bullion reserves, gold, and foreign currency. It manages these assets to ensure monetary stability, regulate the money supply, and maintain confidence in the financial system, as well as to facilitate international trade and payments.

7. A facility for banks to come together every day and set off their cheque claims is known as :
(a) Clearing
(b) Auditing
(c) Credit control
(d) Custodian

Ans : MAIN 2016

(a) Clearing
Clearing is a process where banks come together daily to settle their mutual claims, such as cheque transactions, by offsetting the amounts owed. This is typically facilitated by the central bank or a designated clearinghouse, streamlining interbank settlements and reducing the need for multiple fund transfers..

8. Who amongst these is NOT a direct customer to the Central Bank?
(a) Government
(b) Central Banks
(c) General Public
(d) None of the above

Ans : SQP 2013

(c) General Public
The Central Bank does not accept deposits or lend funds to the general public. Hence, they are not considered as direct customers.

9. The _____ function of the Central bank involves settling of claims of Commercial banks through a process of book entries.
(a) Monopoly of note issue
(b) Government's bank
(c) Clearing house
(d) Developmental

Ans : MAIN 2010

(c) Clearing house
Clearing House function of the RBI means the claims of different commercial banks on one another are settled by the RBI through book entries, and only net claims are actually paid or received.

10. An offence that is committed against an individual or group of individuals with a motive to deliberately harm the reputation of the victim is called :
(a) Intellectual Property Fraud
(b) Internet Cyber Fraud
(c) Insurance Fraud
(d) Credit Card Fraud

Ans : SQP 2014

(b) Internet Cyber Fraud
Internet cyber fraud is an offence that is committed against an individual or group of individuals with a motive to deliberately harm the reputation of the victim or cause physical or mental harm/ loss to the victim directly or indirectly by using modern telecommunication networks such as Internet and Mobile phones.

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36. What is the importance of the Saving Deposit Account in promoting small savings among individuals, and what restrictions are typically placed on these accounts?
(a) It encourages large-scale investments with frequent withdrawals.
(b) It offers high returns with no withdrawal restrictions.
(c) It promotes disciplined saving with limited withdrawal allowances.
(d) It facilitates business transactions without interest payments.

Ans : COMP 2014

(c) It promotes disciplined saving with limited withdrawal allowances.
Saving Deposit Accounts are designed to encourage individuals to save small amounts regularly. They offer a modest interest rate, but withdrawals are restricted to prevent impulsive spending and promote financial discipline. This helps individuals build a financial buffer while providing a secure and accessible way to manage funds.

37. Which of the following functions of the Central Bank helps it maintain control over inflation and ensure economic stability?
(a) Acting as a lender of last resort
(b) Controlling credit through monetary policy tools
(c) Issuing currency to commercial banks on demand
(d) Offering direct loans to individuals

Ans : MAIN 2011

(b) Controlling credit through monetary policy tools
The Central Bank uses monetary policy tools like repo rates, cash reserve ratios (CRR), and open market operations to control the credit supply in the economy. By tightening or loosening credit, it can manage inflation, stimulate growth, or stabilize the financial system, ensuring a balanced economic environment.

38. What is the primary purpose of a Fixed Deposit Account, and how does it differ from other types of accounts in terms of withdrawal and interest rates?
(a) It allows unlimited withdrawals with low interest rates.
(b) It locks the deposited amount for a fixed period with higher interest rates.
(c) It offers no interest and is designed for daily business transactions.
(d) It allows partial withdrawals at any time without penalties.

Ans : SQP 2019

(b) It locks the deposited amount for a fixed period with higher interest rates.
A Fixed Deposit Account requires the depositor to lock a specific amount for a predetermined period, during which withdrawals are not allowed. This account provides higher interest rates compared to savings accounts, making it an attractive option for individuals seeking secure, long-term returns.

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39. Which type of account is primarily used by businesses to manage daily financial transactions without restrictions on deposits and withdrawals?
(a) Current Deposit Account
(b) Saving Deposit Account
(c) Fixed Deposit Account
(d) Recurring Deposit Account

Ans : COMP 2005

(a) Current Deposit Account
A Current Deposit Account is specifically designed for businesses requiring frequent and high-volume transactions. Unlike savings accounts, it does not impose withdrawal restrictions, making it ideal for day-to-day operations. However, it typically does not earn interest.

40. What is the role of the Reserve Bank of India as the banker's bank, and how does it assist other banks in the system?
(a) It provides direct loans to individuals on behalf of banks.
(b) It regulates and supervises commercial banks.
(c) It collects deposits from banks and issues credit cards.
(d) It manages only government transactions for banks.

Ans : MAIN 2000

(b) It regulates and supervises commercial banks.
The Reserve Bank of India acts as the banker's bank by regulating and supervising commercial banks. It provides financial assistance, monitors liquidity, and ensures the stability of the banking system. It also serves as a clearinghouse for interbank transactions.

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18. _____ is any act committed with the intent to obtain a fraudulent outcome from an insurance process.
(a) Insurance fraud
(b) Insurance premium
(c) Insurance claim
(d) Maturity benefit

Ans : COMP 2003

(a) Insurance fraud
Insurance fraud is any act committed with the intent to obtain a fraudulent outcome from an insurance process. This may occur when a claimant attempts to obtain some benefit or advantage to which they are not otherwise entitled, or when an insurer knowingly denies some benefit that is due.

19. Which one of these is NOT an internet browser?
(a) Google Chrome
(b) Internet Explorer
(c) Whatsapp
(d) Mozilla Firefox

Ans : MAIN 2004

(c) Whatsapp
Google Chrome, Internet Explorer, and Mozilla Firefox are internet browsers used to access the web. WhatsApp, on the other hand, is a messaging application used for communication and does not function as a web browser.

20. Which one of these can cause a credit card fraud?
(a) Sharing an OTP
(b) Sharing an ATM PIN
(c) Sharing CVV no.
(d) All of the above

Ans : SQP 2009

(d) All of the above
Credit card fraud can occur if sensitive information such as OTP (One-Time Password), ATM PIN, or CVV number is shared. These details can be misused by fraudsters to make unauthorized transactions, compromising the security of the credit card. Always keep this information confidential.

21. Which institution in India is responsible for issuing currency notes and has the sole authority to regulate the country's monetary system, including controlling the money supply?
(a) Commercial Banks
(b) Reserve Bank of India
(c) Ministry of Finance
(d) State Bank of India

Ans : COMP 2001

(b) Reserve Bank of India
The Reserve Bank of India (RBI) is the apex institution with the monopoly to issue currency notes under the RBI Act, 1934. It regulates the monetary system and ensures economic stability in India.

22. Which of the following activities is NOT considered a function of the Central Bank, which is primarily tasked with regulating the country's monetary policy, stabilizing exchange rates, and acting as a lender of last resort?
(a) Custodian of foreign currency reserves
(b) Regulating the banking system and controlling credit
(c) Providing loans directly to the general public
(d) Acting as a fiscal agent for the government

Ans : MAIN 2012

(c) Providing loans directly to the general public
The Central Bank, such as the RBI, oversees the banking system and does not deal directly with the public. Providing loans is the role of commercial banks.

23. In which type of deposit account are customers required to deposit a fixed sum of money every month for a specific period, typically earning higher interest rates at maturity?
(a) Saving Deposit Account
(b) Fixed Deposit Account
(c) Recurring Deposit Account
(d) Current Deposit Account

Ans : SQP 2002

(c) Recurring Deposit Account
Recurring Deposit Accounts require a fixed sum to be deposited monthly for a specified period, providing disciplined savings and earning a predetermined interest rate upon maturity.

24. What is the purpose of a Current Deposit Account, which is specifically designed for businesses requiring high transaction volumes and flexibility in fund withdrawals?
(a) To enable fixed deposits for a specific time
(b) To encourage small savings with restrictions on withdrawals
(c) To allow frequent deposits and withdrawals for business operations
(d) To provide higher interest rates to depositors

Ans : COMP 2015

(c) To allow frequent deposits and withdrawals for business operations

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11. The Chief of the Central Bank is called :
(a) The Governor
(b) The Prime Minister
(c) The President
(d) The Chancellor

Ans : COMP 2021

(a) The Governor
The Chief of the Central Bank is called the Governor. He is the ultimate decision maker.

12. It is a category of property that includes intangible creations of the human intellect.
(a) Intellectual Property
(b) Cookie
(c) Current assets
(d) Cash reserves

Ans : COMP 2011

(a) Intellectual Property
Intellectual Property (IP) refers to intangible creations of the human mind, such as inventions, literary and artistic works, designs, symbols, names, and images. It is protected by laws like patents, copyrights, and trademarks to give creators exclusive rights over their creations.

13. The act of one individual harassing or intimidating another individual via the Internet is known as _____.
(a) Verbal bullying
(b) Cyber bullying
(c) Social bullying
(d) Physical bullying

Ans : MAIN 2019

(b) Cyber bullying
Cyber bullying is the act of harassing, intimidating, or abusing an individual using digital platforms like social media, emails, or messaging apps. It involves harmful behaviors such as sending threatening messages, spreading false information, or posting inappropriate content about someone online.

14. False accounting is fraudulent and usually occurs when a business or employee :
(a) Deliberately records false financial information
(b) Changes, defaces or destroys records
(c) Exaggerates the business' assets or understates its liabilities
(d) All of the above

Ans : SQP 2005

(d) All of the above
False accounting is fraudulent and usually occurs when a business or employee :
(i) Deliberately records false financial information
(ii) Changes, defaces or destroys records
(iii) Exaggerates the business' assets or understates its liabilities.

15. In order to prevent cyber-crimes, one must :
(a) Constantly update passwords and login details
(b) Secure mobile devices
(c) Social media savvy
(d) All of the above

Ans : COMP 2000

(d) All of the above
To prevent cyber crimes, one must keep changing the passwords and login details (if possible), keep your mobile devices safe and secured, and be aware about the social media threats.

16. Which one of these could be the reason behind committing accounting fraud?
(a) To show actual losses
(b) To provide true and fair view
(c) To cover up the theft
(d) To remove any errors

Ans : MAIN 2006

(c) To cover up the theft
Accounting fraud is often committed to cover up theft or misappropriation of funds. Fraudulent practices involve manipulating financial statements to hide illegal activities, inflate profits, or deceive stakeholders. It is not done to show actual losses, provide a true and fair view, or remove errors, which are legitimate accounting goals.

17. An information packet sent from a website to a web browser that records user's activity on that website is known as _____.
(a) Cookie
(b) Web-link
(c) Cyber fraud
(d) Cyber bullying

Ans : SQP 2018

(a) Cookie
A cookie is a small piece of data sent from a website and stored on a user's web browser. It tracks user activity on the website, such as login sessions, preferences, or browsing history, enhancing the user experience and enabling personalized services.

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information?
(a) Sending cookies to web browsers
(b) Sharing legitimate passwords
(c) Unauthorized financial transactions or hacking
(d) Accessing online content legally

Ans : MAIN 2007

(c) Unauthorized financial transactions or hacking
Cyber fraud refers to fraudulent activities conducted online with the intent to steal sensitive personal or financial information or gain unauthorized access to accounts or systems. Examples include phishing, hacking, identity theft, and card fraud. These actions can harm individuals or businesses by leading to financial loss or data breaches.

32. What is the role of the Central Bank as the custodian of foreign currency reserves, and how does it contribute to the stability of a country's economy?
(a) To issue foreign currency directly to the general public
(b) To store foreign currency reserves and stabilize exchange rates
(c) To facilitate loans for international organizations
(d) To convert all foreign reserves into gold

Ans : SQP 2016

(b) To store foreign currency reserves and stabilize exchange rates
The Central Bank maintains the country's foreign currency reserves to manage exchange rates, facilitate international trade, and stabilize the economy. By intervening in the foreign exchange market, it can reduce currency volatility and ensure a balanced trade environment, supporting economic growth and investor confidence.

33. Which of the following is a primary function of an E-Wallet, and how does it contribute to modern digital payment systems?
(a) It allows users to withdraw cash at ATMs.
(b) It facilitates seamless online and contactless transactions.
(c) It is used exclusively for bank-to-bank transfers.
(d) It can only store money for single-use purposes.

Ans : COMP 2013

(b) It facilitates seamless online and contactless transactions.
An E-Wallet is a digital tool that allows users to store money electronically for making payments online or through contactless methods. It is widely used for mobile recharges, bill payments, shopping, and peer-to-peer transactions, promoting cashless and convenient payment systems. It also supports linking to UPI or cards for added functionality.

34. What is the primary feature of Real Time Gross Settlement (RTGS) that differentiates it from other fund transfer systems like NEFT or IMPS?
(a) It processes transactions in batches.
(b) It allows real-time and individual high-value fund transfers.
(c) It is exclusively used for international transactions.
(d) It operates only during non-banking hours.

Ans : MAIN 2021

(b) It allows real-time and individual high-value fund transfers.
RTGS processes transactions instantly and individually (gross basis), ensuring that funds are transferred without delays or batch processing. It is designed primarily for large-value transactions and provides a secure and efficient way to settle payments in real time, making it ideal for businesses and high-value trade payments.

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35. How does the Banking Regulation Act, 1949, contribute to the efficient functioning of the banking system in India, and what institutions does it primarily regulate?
(a) It regulates only cooperative societies.
(b) It oversees commercial banks and ensures compliance with laws.
(c) It establishes rules for international trade organizations.
(d) It provides guidelines exclusively for the Reserve Bank of India.

Ans : SQP 2010

(b) It oversees commercial banks and ensures compliance with laws.
The Banking Regulation Act, 1949, governs the functioning of commercial banks in India. It sets guidelines for licensing, management, operations, and inspection of banks to ensure financial stability and transparency. By regulating commercial banking activities, it promotes public confidence in the banking system and minimizes systemic risks.

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6. Automatic Teller Machines (ATM) : The banks which have computerized high-tech branches provide round-the-clock banking facilities through ATMs.
7. Credit Card : It is a card entitling its holder to buy goods and services based on the holder's promise to pay for these goods and services.
8. Debit Card : It is a plastic card that provides an alternative payment method to cash when making purchases.

5. KEY TERMS IN INTERNET BANKING

1. Unified Payments Interface (UPI) : It is an instant payment system developed by the National Payments Corporation of India (NPCI), an RBI-regulated entity. UPI is built over the IMPS infrastructure and allows you to instantly transfer money between any two parties' bank accounts.
2. E-wallet : It is a type of electronic card which is used for transactions made online through a computer or a smartphone. Its utility is the same as a credit or debit card.

6. INTERNET CYBER FRAUD

Cyber fraud involves offenses committed against individuals or groups to harm their reputation, or cause physical, mental, or financial loss, often using telecommunication networks like the internet or mobile phones.

7. KEY TERMS RELATED TO CYBER FRAUD

1. Intellectual Property (IP) : It is a category of property that includes intangible creations of the human intellect.
2. Browser : A program used to access the Internet. Commonly used browsers include Internet Explorer, Google Chrome, and Mozilla Firefox.
3. Cookie : An information packet sent from a website to a web browser that records a user's activity on that website.
4. Cyber bullying : The act of one individual harassing or intimidating another individual via the Internet.

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MULTIPLE CHOICE QUESTION

1. The _____ function of the Central bank involves settling of claims of Commercial banks through a process of book entries.
(a) Monopoly of note issue
(b) Government's bank
(c) Clearing house
(d) Developmental

Ans : MAIN 2024

(c) Clearing house
Clearing House function of the RBI means the claims of different commercial banks on one another are settled by the RBI through book entries, and only net claims are actually paid or received.

2. This bank has the authority to print and issue the currency notes in India :
(a) Bank of India
(b) Union Bank
(c) Bank of India
(d) Reserve Bank of India

Ans : SQP 2023

(d) Reserve Bank of India
The Reserve Bank of India (RBI) holds the exclusive right to issue and manage currency notes in India under the RBI Act, 1934. This ensures control over the money supply, stabilizes the economy, and prevents counterfeiting. Coins, however, are minted by the Government of India, with the RBI managing their distribution.

3. Which one of these is NOT a function of a Central Bank of the country?
(a) Banker's bank
(b) Lender of the last resort
(c) Controller of credit
(d) Accepting the deposits from general public

Ans : COMP 2022

(d) Accepting the deposits from general public
The Central Bank does not accept deposits from the general public; this is a function of commercial banks. Instead, it regulates the banking system, acts as the lender of the last resort, serves as the banker's bank, and controls credit in the economy.

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41. Which of the following is NOT a service provided under Internet Banking?
(a) Real Time Gross Settlement (RTGS)
(b) National Electronic Funds Transfer (NEFT)
(c) Issuing physical passbooks
(d) Immediate Mobile Payment Service (IMPS)

Ans : SQP 2006

(c) Issuing physical passbooks
Internet banking involves digital services like RTGS, NEFT, and IMPS, enabling fund transfers and online payments. Issuing physical passbooks is a traditional banking service and not a part of internet banking offerings.

42. How does the Lender of Last Resort function of the Central Bank ensure financial stability during a banking crisis?
(a) By offering direct loans to the public during emergencies
(b) By providing liquidity support to commercial banks in financial distress
(c) By funding only the government's deficit in times of crisis
(d) By issuing new currency notes to resolve liquidity shortages

Ans : COMP 2018

(b) By providing liquidity support to commercial banks in financial distress
As the lender of last resort, the Central Bank provides emergency funding to commercial banks facing liquidity crises. This prevents systemic failures in the banking sector and ensures public confidence in financial institutions.

43. Which internet banking service enables users to transfer funds nationwide electronically between accounts of different banks at scheduled intervals?
(a) IMPS
(b) RTGS
(c) NEFT
(d) EFTS

Ans : MAIN 2003

(c) NEFT
National Electronic Funds Transfer (NEFT) is a system that allows electronic fund transfers between bank accounts across the country. Transactions are processed in scheduled batches, making it suitable for low- and medium-value transfers.

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44. What is a Cookie, and how is it used in the context of internet browsing?
(a) A program for storing user credentials in browsers permanently
(b) A data packet sent by websites to track user activity
(c) A tool for removing browsing history automatically
(d) A method for detecting internet fraud

Ans : SQP 2004

(b) A data packet sent by websites to track user activity
A cookie is a small data file sent by a website to a user's browser to store information such as login credentials, preferences, or browsing activity. It helps personalize the user experience and track website usage for analytics.

45. Which of the following is an example of cyber bullying, and how does it differ from traditional bullying?
(a) Sending threatening messages over social media
(b) Physically intimidating someone at school
(c) Avoiding interaction with someone online
(d) Reporting inappropriate content to authorities

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Ans : COMP 2009

(a) Sending threatening messages over social media
Cyber bullying involves harassment or intimidation through digital platforms like social media, emails, or messaging apps. Unlike traditional bullying, it is conducted online and can reach a wider audience, amplifying its impact.

46. What distinguishes a Debit Card from a Credit Card in terms of payment processing?
(a) A Debit Card allows borrowing money, while a Credit Card directly deducts from the account.
(b) A Debit Card uses pre-loaded funds from a user's account, while a Credit Card borrows funds up to a credit limit.
(c) A Debit Card is only for online purchases, while a Credit Card works offline.
(d) A Debit Card does not require a PIN, while a Credit Card does.

Ans : MAIN 2001

(b) A Debit Card uses pre-loaded funds from a user's account, while a Credit Card borrows funds up to a credit limit.

Current Deposit Accounts are tailored for businesses to facilitate seamless daily transactions without limitations on deposits or withdrawals, although they do not earn interest.

25. Which internet banking service allows real-time transfer of funds between two bank accounts on a gross basis without any batching or waiting period?
(a) National Electronic Funds Transfer (NEFT)
(b) Real Time Gross Settlement (RTGS)
(c) Immediate Payment Service (IMPS)
(d) Electronic Funds Transfer System (EFTS)

Ans : MAIN 2017

(b) Real Time Gross Settlement (RTGS)
RTGS enables immediate fund transfer on a gross and real-time basis, primarily for high-value transactions, ensuring quick and secure payments.

26. Which of the following types of accounts is primarily designed to promote small savings among individuals, offering a certain interest rate while placing some restrictions on the withdrawal of funds?
(a) Saving Deposit Account
(b) Current Deposit Account
(c) Fixed Deposit Account
(d) Recurring Deposit Account

Ans : SQP 2024

(a) Saving Deposit Account
Saving Deposit Accounts encourage individuals to save by offering interest while restricting frequent withdrawals to promote disciplined saving habits.

27. What is the role of the Unified Payments Interface (UPI), a system developed by the National Payments Corporation of India (NPCI), in the context of digital transactions in India?
(a) To facilitate cross-border payments instantly
(b) To enable instant transfers between two bank accounts in India
(c) To provide services for mobile recharges and bill payments only
(d) To issue credit and debit cards for online payments

Ans : COMP 2023

(b) To enable instant transfers between two bank accounts in India
UPI is an instant payment system that allows users to transfer money between bank accounts seamlessly using IMPS infrastructure, offering convenience and speed in digital transactions.

28. What is the primary purpose of a Fixed Deposit Account, which allows individuals to invest a specific sum of money for a predetermined period?
(a) To withdraw funds anytime without penalty
(b) To earn higher interest rates compared to savings accounts
(c) To enable frequent deposits and withdrawals
(d) To facilitate daily business transactions

Ans : MAIN 2022

(b) To earn higher interest rates compared to savings accounts
Fixed Deposit Accounts offer higher interest rates as the money remains locked for a fixed period, providing a secure investment option for depositors.

29. What is the term used to describe an electronic card that allows users to store prepaid money for future online transactions, functioning similarly to credit and debit cards?
(a) Credit Card
(b) Debit Card
(c) Mobile Wallet/E-Wallet
(d) ATM Card

Ans : SQP 2020

(c) Mobile Wallet/E-Wallet
E-Wallets are prepaid digital accounts used for online transactions via smartphones or computers, providing a cashless payment solution.

30. What is the primary function of the Central Bank when acting as the lender of last resort?
(a) To provide direct loans to the general public in emergencies
(b) To offer financial assistance to the government during budget deficits
(c) To provide loans to commercial banks during liquidity crises
(d) To manage foreign exchange reserves and ensure exchange rate stability

Ans : COMP 2008

(c) To provide loans to commercial banks during liquidity crises
As the lender of last resort, the Central Bank provides financial support to commercial banks facing liquidity shortages to maintain stability in the banking system.

31. Which of the following is a cyber fraud involving illegal activities over the internet to harm individuals or organizations, such as stealing sensitive financial data or misusing user

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Ans : COMP 2022

(b) It processes fund transfers instantly using mobile numbers or Aadhaar.
IMPS enables immediate fund transfers 24/7 using mobile numbers or Aadhaar numbers linked to bank accounts. It is a quick and efficient payment system that operates in real time, providing convenience to users.

53. What is the purpose of the Cash Reserve Ratio (CRR) maintained by the Central Bank, and how does it impact the banking system?
(a) It increases the profitability of commercial banks.
(b) It ensures liquidity control and prevents inflation.
(c) It allows banks to issue more currency notes.
(d) It provides direct loans to the public.

Ans : MAIN 2021

(b) It ensures liquidity control and prevents inflation.
The CRR is the percentage of a bank's total deposits that must be kept as reserves with the Central Bank. By adjusting CRR, the Central Bank controls liquidity in the economy, preventing inflation or stimulating growth as needed.

54. What is the primary objective of the National Electronic Funds Transfer (NEFT) system, and how does it differ from RTGS?
(a) It is used only for high-value transactions.
(b) It transfers funds in scheduled batches.
(c) It requires real-time gross settlement of transactions.
(d) It is exclusive to international payments.

Ans : SQP 2010

(b) It transfers funds in scheduled batches.
NEFT processes transactions in scheduled batches and is suitable for low- to medium-value fund transfers. Unlike RTGS, which handles high-value transactions in real time, NEFT is cost-effective and widely used for routine transfers.

55. What distinguishes mobile wallets (E-Wallets) from traditional banking methods, and why are they increasingly popular?
(a) They are designed for physical currency transactions only.
(b) They enable instant digital payments via smartphones or computers.
(c) They replace credit cards entirely for online purchases.
(d) They are only usable at bank branches.

Ans : COMP 2014

(b) They enable instant digital payments via smartphones or computers.
Mobile wallets provide a digital platform for instant payments, offering convenience and speed. Users can store prepaid funds and use them for online purchases, bill payments, and peer-to-peer transactions, eliminating the need for cash or card-based payments.

56. How does the Controller of Credit function of the Central Bank help in regulating the economy?
(a) By issuing credit cards to individuals directly.
(b) By controlling the volume and direction of credit flow.
(c) By offering loans to the public during inflation.
(d) By managing only foreign trade policies.

Ans : MAIN 2011

(b) By controlling the volume and direction of credit flow.
The Central Bank controls credit through monetary policies like adjusting interest rates, open market operations, and reserve requirements. This ensures that credit flow aligns with economic needs, helping to control inflation or stimulate growth as necessary.

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57. What role does the Central Bank play as a custodian of gold reserves, and how does this support economic stability?
(a) It uses gold reserves to issue physical currency to the public.
(b) It backs the country's currency value and maintains international confidence.
(c) It distributes gold directly to banks for public transactions.
(d) It sells gold reserves to fund government projects.

Ans : SQP 2019

(b) It backs the country's currency value and maintains international confidence.
The Central Bank holds gold reserves to stabilize the value of the currency and ensure trust in the country's financial system. These reserves serve as a backup during economic crises and reinforce confidence in international trade and investment.

104. **Assertion (A) :** RTGS is suitable for large-value transactions.
Reason (R) : RTGS transactions are processed in batches at regular intervals.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is NOT the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2005

(c) A is true, but R is false.
Real-Time Gross Settlement (RTGS) is used for high-value fund transfers (₹2 lakh and above). Unlike NEFT, which works in batches, RTGS processes each transaction instantly and individually.

105. **Assertion (A) :** Cyber fraud includes online phishing, hacking, and identity theft.
Reason (R) : Cyber fraud only occurs when using ATM transactions.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is NOT the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2000

(c) A is true, but R is false.
Cyber fraud refers to fraudulent activities on digital platforms, including phishing emails, hacking, and financial scams. It is not limited to ATM transactions but also includes online banking and payment frauds.

106. **Assertion (A) :** IMPS transactions are available 24/7, including holidays.
Reason (R) : IMPS transactions require physical bank visits to be completed.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is NOT the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2006

(c) A is true, but R is false.
IMPS allows instant money transfers 24/7, including on weekends and public holidays. Transactions are done digitally via mobile banking, UPI, or ATMs, and do not require physical bank visits.

107. **Assertion (A) :** UPI transactions require users to enter their bank account number and IFSC code for every transaction.
Reason (R) : UPI allows money transfers using a mobile number, UPI ID, or QR code instead of bank details.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is NOT the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2018

(d) A is false, but R is true.
UPI (Unified Payments Interface) simplifies transactions by allowing transfers via mobile numbers, UPI IDs, or QR codes. Unlike NEFT or RTGS, it does not require entering bank details every time.

108. **Assertion (A) :** Internet banking services allow customers to check balances, transfer funds, and pay bills online.
Reason (R) : Internet banking requires customers to visit the bank branch for every transaction.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is NOT the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2004

(c) A is true, but R is false.
Internet banking enables customers to perform banking activities remotely without visiting a bank. Transactions like fund transfers, bill payments, and balance checks can be done online via a computer or mobile app.

109. **Assertion (A) :** A credit card allows customers to borrow funds from a bank to make purchases.
Reason (R) : The borrowed amount must be repaid in full immediately after each transaction.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is NOT the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

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64. A business owner wants a bank account to handle daily transactions without restrictions on the number of withdrawals or deposits. Which type of account should they open?
(a) Saving Deposit Account
(b) Current Deposit Account
(c) Fixed Deposit Account
(d) Recurring Deposit Account

Ans : COMP 2009

(b) Current Deposit Account
Current Deposit Accounts are specifically designed for businesses, allowing unlimited transactions without interest but with higher flexibility for daily operations.

65. Priya attempted to transfer money using her mobile banking app and was asked to enter her UPI PIN. Which of the following describes the purpose of UPI in digital transactions?
(a) To store prepaid money for future use.
(b) To transfer money instantly between two bank accounts.
(c) To process payments only during banking hours.
(d) To facilitate credit card payments.

Ans : MAIN 2001

(b) To transfer money instantly between two bank accounts.
Unified Payments Interface (UPI) is a real-time payment system that allows instant money transfers between bank accounts using mobile apps, ensuring convenience and speed.

66. A customer bought a product online and found it defective upon delivery. The company refused to replace or refund the product. Which consumer right is being violated?
(a) Right to safety
(b) Right to seek redressal
(c) Right to be informed
(d) Right to consumer education

Ans : SQP 2012

(b) Right to seek redressal
The Right to Seek Redressal ensures that consumers can demand compensation or correction if a product or service is defective or unsatisfactory.

67. A user noticed that their browser was saving their login information for certain websites. What is the term used for small data packets that websites send to browsers to store such information?
(a) Cyber fraud
(b) Cookies
(c) Intellectual Property
(d) Browsers

Ans : COMP 2002

(b) Cookies
Cookies are small data packets sent by websites to browsers to store information about user activity, preferences, or login credentials for a better user experience.

68. A customer used their IMPS service to transfer money instantly but was confused about its difference from RTGS and NEFT. What makes IMPS unique among these services?
(a) IMPS is available 24/7, unlike RTGS or NEFT.
(b) IMPS processes high-value transactions only.
(c) IMPS transfers funds in batches like NEFT.
(d) IMPS operates exclusively during banking hours.

Ans : MAIN 2015

(a) IMPS is available 24/7.unlike RTGS or NEFT.
Immediate Payment Service (IMPS) is a real-time fund transfer system available 24/7, including holidays, making it highly convenient for small and medium transactions.

69. A consumer purchased a product labeled as "BPA-free," but later found it contained harmful chemicals. Which consumer right ensures accurate product information is provided?
(a) Right to safety
(b) Right to be informed
(c) Right to seek redressal
(d) Right to consumer education

Ans : SQP 2017

(b) Right to be informed
The Right to Be Informed protects consumers from false or misleading information about products and services, ensuring that they make informed decisions.

70. Rahul tried to make a purchase using his credit card but was unsure how it differs from a debit card. What is a key feature of a credit card?
(a) It deducts money directly from the user's bank account.
(b) It allows users to borrow money up to a credit limit.
(c) It is only usable for online transactions.
(d) It requires pre-loaded funds for transactions.

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Ans : COMP 2024

(b) It allows users to borrow money up to a credit limit.
A credit card enables users to borrow money from the issuing bank up to a predetermined credit limit. The borrowed amount must be repaid, often with interest, based on the billing cycle.

71. Rohan received a message asking for his ATM PIN and CVV number to verify a banking transaction. He later realized money had been deducted from his account without his authorization. What type of fraud has he fallen victim to?
(a) Intellectual Property theft
(b) Credit card fraud
(c) Phishing
(d) Cyberbullying

Ans : MAIN 2023

(b) Credit card fraud
Credit card fraud occurs when unauthorized individuals gain access to sensitive banking details like ATM PIN, CVV, or OTP to conduct fraudulent transactions. Users should never share such information to prevent financial loss.

72. A consumer purchases a toy that contains small detachable parts, which pose a choking hazard for children. The manufacturer did not include any warning labels on the packaging. Which consumer right is being violated?
(a) Right to be informed
(b) Right to consumer education
(c) Right to safety
(d) Right to seek redressal

Ans : SQP 2022

(c) Right to safety
The Right to Safety protects consumers from products that may cause harm or pose health hazards. Manufacturers must provide warnings and ensure their products meet safety standards.

73. Neha ordered a branded smartphone online, but upon receiving it, she discovered it was a counterfeit product. She contacted customer service, but they refused to replace it. Which consumer right is being violated?
(a) Right to consumer education
(b) Right to be informed
(c) Right to seek redressal
(d) Right to safety

Ans : COMP 2020

(c) Right to seek redressal
Consumers have the Right to Seek Redressal when they receive defective, fake, or substandard products. They can request compensation, replacement, or a refund.

74. A customer receives an email from an unknown sender claiming to be a bank representative and asking for his internet banking login details to update his account. What type of cyber fraud is this?
(a) Phishing
(b) Cookie theft
(c) Cyberbullying
(d) Intellectual Property theft

Ans : MAIN 2008

(a) Phishing
Phishing is a type of cyber fraud where attackers impersonate legitimate entities to steal sensitive information, such as bank login credentials, by using fake emails or websites.

75. A business uses RTGS to transfer a large amount of money to a supplier. Why is RTGS preferred over NEFT for such transactions?
(a) RTGS is available for low-value transactions only.
(b) RTGS processes transactions in real time, while NEFT works in batches.
(c) NEFT is faster than RTGS.
(d) RTGS charges are higher for all types of transactions.

Ans : SQP 2007

(b) RTGS processes transactions in real time, while NEFT works in batches.
Real-Time Gross Settlement (RTGS) is ideal for high-value transactions as it processes payments instantly without waiting for batch settlements, unlike NEFT.

76. Pooja makes an IMPS transfer to her friend using a mobile banking app. What is one key advantage of IMPS over NEFT and RTGS?
(a) IMPS transactions are available 24/7, including weekends and holidays.
(b) IMPS is only for high-value business transactions.
(c) IMPS requires visiting a bank branch.
(d) IMPS can only be used for international transfers.

Ans : COMP 2016

(a) IMPS transactions are available 24/7, including weekends and holidays.

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IMPS (Immediate Payment Service) allows instant fund transfers at any time, making it more convenient than NEFT (which operates in batches) and RTGS (which has time restrictions).

77. A customer withdraws cash from an ATM, but the machine fails to dispense money, even though the amount is deducted from the account. Which consumer right allows the customer to file a complaint?
(a) Right to consumer education
(b) Right to safety
(c) Right to seek redressal
(d) Right to be informed

Ans : MAIN 2013

(c) Right to seek redressal
The Right to Seek Redressal ensures that consumers can report faulty services, including ATM transaction failures, and request a resolution or refund.

78. A new car manufacturer falsely advertises that their vehicle has airbags and ABS brakes, but in reality, the model lacks these safety features. Which consumer right is violated?
(a) Right to safety
(b) Right to be informed
(c) Right to seek redressal
(d) Right to consumer education

Ans : SQP 2021

(b) Right to be informed
The Right to Be Informed ensures that consumers receive truthful and complete details about products and services. False advertising misleads customers, violating this right.

79. A person is harassed and threatened repeatedly through social media messages by an unknown individual. What type of cybercrime does this represent?
(a) Cyberbullying
(b) Phishing
(c) Credit card fraud
(d) Intellectual Property theft

Ans : COMP 2010

(a) Cyberbullying
Cyberbullying involves online harassment, threats, or intimidation through digital platforms such as social media, emails, or messaging apps. It is a punishable offense under cyber laws.

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80. A website automatically saves a user's login credentials and browsing history to enhance their browsing experience. What is this feature called?
(a) Intellectual Property
(b) Cyber fraud
(c) Cookies
(d) Phishing

Ans : MAIN 2014

(c) Cookies
Cookies are small data files stored by websites on a user's browser. They help improve user experience by remembering login details, preferences, and browsing history.

81. A customer purchased an electronic appliance with a one-year warranty. However, when the appliance stopped working after six months, the company refused to repair or replace it, stating that the warranty was not applicable. Which consumer right is being violated in this case?
(a) Right to safety
(b) Right to consumer education
(c) Right to seek redressal
(d) Right to be informed

Ans : SQP 2011

(c) Right to seek redressal
The Right to Seek Redressal ensures that consumers have the right to request compensation, repair, or replacement for faulty or defective products. When a product is under warranty, the manufacturer is legally obligated to provide service as per the agreement. If the company refuses, the consumer can file a complaint with consumer protection authorities, such as the Consumer Forum, to demand justice.

82. Ramesh was buying a medicine, but the expiry date was missing on the packaging. He was unsure whether it was safe to consume. Which consumer right is being violated?
(a) Right to safety
(b) Right to be informed
(c) Right to consumer education
(d) Right to seek redressal

Ans : COMP 2019

(b) Right to be informed
The Right to Be Informed ensures that consumers receive accurate and necessary details about a product, such as its expiry date, ingredients, and safety warnings. Medicines without expiry dates could be dangerous to health if consumed

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58. Which of the following is NOT an example of Internet Cyber Fraud, which is increasingly prevalent in the digital age?
(a) Phishing emails requesting sensitive information
(b) Unauthorized access to online bank accounts
(c) Sending cookies to improve website functionality
(d) Hacking into personal or organizational systems

Ans : COMP 2005

(c) Sending cookies to improve website functionality
Cookies are legitimate tools used to enhance user experience on websites and are not considered cyber fraud. Cyber fraud involves illegal activities such as phishing, unauthorized access, and hacking, aimed at stealing or misusing data.

59. What is the significance of the Central Bank's role in providing a clearinghouse facility for banks, and how does it streamline banking operations?
(a) It facilitates loans for small businesses.
(b) It settles interbank cheque claims to reduce transaction complexity.
(c) It replaces commercial banks in customer transactions.
(d) It provides ATM services for bank customers.

Ans : MAIN 2000

(b) It settles interbank cheque claims to reduce transaction complexity.
The Central Bank provides a clearinghouse facility to simplify and streamline interbank settlements, such as cheque clearances. By netting mutual claims among banks, it minimizes the need for multiple fund transfers, ensuring smoother operations.

60. Which of the following services offered by ATMs does NOT align with the core purpose of Automated Teller Machines?
(a) Cash withdrawals and deposits
(b) Online shopping payments
(c) Mini statement generation
(d) Balance inquiries and fund transfers

Ans : SQP 2006

(b) Online shopping payments
ATMs are designed for banking transactions such as cash withdrawals, deposits, balance checks, and fund transfers. Online shopping payments are not a direct feature of ATMs and are facilitated through debit or credit cards.

61. Maya deposited money in a Fixed Deposit Account for 5 years. However, she needed the money urgently after 1 year but was informed that withdrawing it would incur penalties. What feature of Fixed Deposit Accounts does this situation highlight?
(a) High-interest rates
(b) Limited withdrawal flexibility
(c) Unlimited transactions
(d) Monthly deposits required

Ans : COMP 2018

(b) Limited withdrawal flexibility
Fixed Deposit Accounts are designed for long-term savings with higher interest rates but restrict early withdrawals by imposing penalties.

62. Ravi wanted to open a bank account where he could deposit small amounts every month to save for his child's education. Which account type is most suitable for his needs?
(a) Current Deposit Account
(b) Fixed Deposit Account
(c) Recurring Deposit Account
(d) Saving Deposit Account

Ans : MAIN 2003

(c) Recurring Deposit Account
A Recurring Deposit Account allows the depositor to save systematically by depositing a fixed amount every month, making it ideal for future financial goals.

63. A customer transferred money using RTGS but noticed that the bank processed the transfer instantly, unlike NEFT, which operates in batches. What distinguishes RTGS from NEFT?
(a) RTGS processes in real-time, while NEFT operates in batches.
(b) NEFT is available 24/7, while RTGS has fixed hours.
(c) RTGS is suitable for small-value transfers, while NEFT is for high-value transfers.
(d) Both operate the same way but under different rules.

Ans : SQP 2004

(a) RTGS processes in real-time, while NEFT operates in batches.
RTGS (Real Time Gross Settlement) processes transactions instantly on a gross basis, making it suitable for high-value transactions. NEFT, on the other hand, processes in scheduled batches.

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The Right to Seek Redressal allows consumers to report faulty banking transactions and request resolution. In such ATM failures, banks are responsible for refunding the deducted amount. The consumer should immediately report the issue to their bank, and if the refund is delayed, they can escalate the complaint to the Banking Ombudsman.

88. Which of the following best describes the main advantage of using UPI (Unified Payments Interface) over traditional banking transactions?
(a) UPI allows direct and instant fund transfers between bank accounts.
(b) UPI transactions are only available during banking hours.
(c) UPI requires a physical debit card for every transaction.
(d) UPI charges high fees for instant transactions.

Ans : COMP 2004

(a) UPI allows direct and instant fund transfers between bank accounts.
UPI is a real-time and seamless payment system that enables users to instantly transfer money between bank accounts without needing account details or IFSC codes. Unlike NEFT or RTGS, which operate in batches or fixed hours, UPI is available 24/7, even on holidays, making it highly convenient for digital transactions.

89. A customer received a defective electrical appliance but was not given instructions on how to use it safely. This increases the risk of electric shock or fire. Which consumer right is being violated?
(a) Right to safety
(b) Right to seek redressal
(c) Right to consumer education
(d) Right to be informed

Ans : MAIN 2009

(a) Right to safety
The Right to Safety ensures that products do not harm or endanger consumers. Electrical appliances must come with safety instructions, usage guidelines, and proper labeling. If these are missing or unclear, the manufacturer is violating consumer rights, and the consumer has the right to file a complaint.

90. A teacher conducted an online awareness session to educate students about cyber fraud, phishing scams, and safe online transactions. Which consumer right does this promote?
(a) Right to be informed
(b) Right to consumer education
(c) Right to safety
(d) Right to seek redressal

Ans : SQP 2001

(b) Right to consumer education
The Right to Consumer Education ensures that individuals are aware of their rights and understand how to protect themselves from fraud, unfair trade practices, and financial risks. Awareness sessions help consumers identify scams, learn safe transaction methods, and exercise their rights effectively.

ASSERTION AND REASON

91. **Assertion (A) :** The Reserve Bank of India (RBI) is the sole authority for issuing currency notes in India.
Reason (R) : RBI regulates the monetary system, ensuring financial stability and controlling inflation.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is NOT the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2024

(a) Both A and R are true, and R is the correct explanation of A.
The Reserve Bank of India (RBI) has the monopoly of note issuance, as per the RBI Act, 1934. It controls the money supply, inflation, and financial stability in the economy, ensuring smooth banking operations.

92. **Assertion (A) :** A Fixed Deposit Account offers a higher interest rate than a savings account.
Reason (R) : Fixed deposits allow unlimited withdrawals without penalties before maturity.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is NOT the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2023

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after their shelf life. It is the responsibility of manufacturers to provide clear information, and failing to do so violates consumer rights.

83. A student applied for a government scholarship online but later discovered that the website was fake and designed to steal personal information such as Aadhaar details and bank account numbers. What type of cyber fraud is this?
(a) Credit card fraud
(b) Phishing
(c) Cyberbullying
(d) Intellectual Property theft

Ans : MAIN 2005

(b) Phishing
Phishing is a cybercrime where fraudsters create fake websites, emails, or messages to trick users into providing personal and financial information. In this case, the fake scholarship website was used to steal details such as Aadhaar numbers and bank credentials, which could be misused for identity theft or financial fraud. Consumers must always verify website authenticity before sharing sensitive information.

84. A customer made a payment using an online banking portal, but after completing the transaction, they did not receive confirmation or any proof of payment. When they contacted customer service, they were given no valid response. Which consumer right allows the person to demand proof and transparency?
(a) Right to safety
(b) Right to be informed
(c) Right to seek redressal
(d) Right to consumer education

Ans : SQP 2000

(b) Right to be informed
The Right to Be Informed protects consumers by ensuring they receive proper receipts, invoices, and confirmations for their purchases and transactions. When a consumer makes an online payment, they should receive a reference number or confirmation message as proof. If a business or service provider fails to provide this, the consumer has the right to demand clarification and take legal action if necessary.

85. While browsing a website, Rohit noticed a pop-up message offering him a free gift in exchange for entering his credit card details. Later, unauthorized transactions appeared on his account. What kind of online fraud does this represent?
(a) Phishing
(b) Cyberbullying
(c) Intellectual Property theft
(d) Online consumer education

Ans : COMP 2006

(a) Phishing
Phishing scams are designed to deceive users into revealing financial details, passwords, or personal data by pretending to offer rewards, security updates, or urgent alerts. In this case, Rohit was tricked into providing credit card details, which fraudsters then used for unauthorized transactions. Consumers should never share financial details on unknown websites or pop-ups and should verify website security before making transactions.

NODIA

86. A bank sent a message to its customers warning them not to share their OTP, CVV, or passwords with anyone, even if they claim to be from the bank. What is the bank trying to prevent?
(a) ATM withdrawals
(b) Cyberbullying
(c) Credit card fraud
(d) Real-Time Gross Settlement (RTGS)

Ans : MAIN 2018

(c) Credit card fraud
Credit card fraud occurs when unauthorized individuals gain access to a person's banking credentials, allowing them to make transactions without permission. Fraudsters often trick people into sharing their OTP (One-Time Password), CVV (Card Verification Value), or PIN under the pretense of security checks. Banks warn customers to never share such information, as even bank employees will never ask for it.

87. An individual tried to withdraw cash from an ATM, but the machine malfunctioned and did not dispense the money. However, the amount was still debited from the account. What should the person do?
(a) File a complaint under the Right to Seek Redressal
(b) Wait for the money to be automatically credited back
(c) Withdraw money from another ATM
(d) Ignore the issue and try again later

Ans : SQP 2003

(a) File a complaint under the Right to Seek Redressal

Cyber fraud involves digital scams such as phishing, hacking, and identity theft. It occurs mostly in online transactions, not just physical banking.

99. **Assertion (A) :** Phishing is a cybercrime where fraudsters trick people into revealing sensitive information.
Reason (R) : Phishing is a legitimate method used by banks for security checks.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is NOT the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2021

(c) A is true, but R is false.
Phishing is a fraudulent technique where scammers send fake emails or messages pretending to be from banks to steal personal details. Banks never ask for sensitive information via email or SMS.

100. **Assertion (A) :** The Right to Seek Redressal allows consumers to file complaints against defective products.
Reason (R) : Consumer rights protect individuals from fraudulent or unfair trade practices.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is NOT the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2010

(a) Both A and R are true, and R is the correct explanation of A.
The Right to Seek Redressal protects consumers by allowing them to demand compensation or product replacement in cases of faulty goods. Consumer rights prevent unfair trade practices and fraud.

101. **Assertion (A) :** A Savings Deposit Account allows individuals to deposit and withdraw money while earning interest.
Reason (R) : A Savings Deposit Account provides higher interest rates than a Fixed Deposit Account.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is NOT the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2014

(c) A is true, but R is false.
A Savings Deposit Account allows individuals to deposit, withdraw, and earn interest on their money. However, its interest rate is lower than that of a Fixed Deposit Account, which provides a higher return for a fixed tenure.

102. **Assertion (A) :** The Central Bank acts as the lender of last resort.
Reason (R) : It provides emergency financial assistance to commercial banks during liquidity crises.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is NOT the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2011

(a) Both A and R are true, and R is the correct explanation of A.
The Central Bank (RBI in India) provides financial aid to commercial banks during liquidity shortages, ensuring the stability of the banking system. This is why it is known as the lender of last resort.

103. **Assertion (A) :** A Recurring Deposit Account (RD) allows individuals to deposit money at regular intervals.
Reason (R) : RD accounts provide immediate withdrawal facilities without penalties.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is NOT the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2019

(c) A is true, but R is false.
A Recurring Deposit (RD) account requires the depositor to contribute a fixed sum monthly for a fixed tenure, earning interest over time. However, early withdrawals usually attract penalty charges, making R false.

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(c) A is true, but R is false.
Fixed deposits provide higher interest rates, but withdrawals before maturity usually incur a penalty or lower interest. FD accounts encourage long-term savings with fixed tenure commitments.

93. **Assertion (A) :** NEFT transactions are processed instantly in real-time.
Reason (R) : NEFT operates in batches, settling payments at scheduled intervals.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is NOT the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2022

(d) A is false, but R is true.
NEFT does not process transactions instantly; instead, it settles transactions in batches at fixed time slots throughout the day. This makes it slower than RTGS or IMPS, which are real-time systems.

94. **Assertion (A) :** IMPS allows 24/7 instant fund transfers, even on bank holidays.
Reason (R) : IMPS transactions are processed only during banking hours.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is NOT the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2020

(c) A is true, but R is false.
IMPS (Immediate Payment Service) allows 24/7 real-time transactions, unlike NEFT, which operates in batches. IMPS can be used anytime, even on weekends and holidays.

95. **Assertion (A) :** A Current Deposit Account is best suited for businesses.
Reason (R) : Current accounts provide high interest on deposited money.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is NOT the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2008

(c) A is true, but R is false.
A Current Account is ideal for businesses, as it allows unlimited transactions. However, it does not provide interest, unlike savings or fixed deposit accounts.

96. **Assertion (A) :** UPI allows instant money transfers between bank accounts.
Reason (R) : UPI requires physical bank visits for transactions.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is NOT the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2007

(c) A is true, but R is false.
Unified Payments Interface (UPI) enables instant bank-to-bank transfers without the need for physical bank visits. Transactions are done via mobile apps, making them convenient and fast.

97. **Assertion (A) :** Credit cards allow users to make purchases without needing immediate payment.
Reason (R) : Credit cards deduct money instantly from the user's bank account.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is NOT the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : MAIN 2016

(c) A is true, but R is false.
A credit card allows users to borrow money from the bank to make purchases, which they must repay later. Unlike debit cards, credit cards do not deduct money instantly from the bank account.

98. **Assertion (A) :** Cyber fraud includes unauthorized access to banking details.
Reason (R) : Cyber fraud only happens in physical banking transactions.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is NOT the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : SQP 2013

(c) A is true, but R is false.

NODIA

Ans : SQP 2009

(c) A is true, but R is false.
A credit card allows users to borrow money from a bank, but repayment is done monthly, not after every transaction. Users can pay the minimum due amount and carry forward the balance with interest.

110. **Assertion (A) :** The Right to Seek Redressal allows consumers to demand compensation for faulty goods.
Reason (R) : This consumer right protects individuals from fraudulent and unfair trade practices.
(a) Both A and R are true, and R is the correct explanation of A.
(b) Both A and R are true, but R is NOT the correct explanation of A.
(c) A is true, but R is false.
(d) A is false, but R is true.

Ans : COMP 2003

(a) Both A and R are true, and R is the correct explanation of A.
Consumers have the Right to Seek Redressal if they receive defective products or unsatisfactory services. This right is essential in consumer protection laws to prevent fraudulent trade practices.

STATEMENT BASED QUESTIONS

111. When a Fixed Deposit (FD) matures, which of the following is true regarding the depositor's options?
I. The depositor can withdraw the full amount with interest.
II. The depositor must keep the money for another term.
III. The depositor can reinvest the amount for another fixed term.
IV. The depositor cannot access the money before maturity.
(a) I and II are true
(b) III and IV are true
(c) I and III are true
(d) II and IV are true

Ans : MAIN 2024

(c) I and III are true
When a Fixed Deposit matures, the depositor can withdraw the full amount with interest or reinvest it for another term. However, keeping the deposit for another term is optional, not mandatory. The depositor can access the funds before maturity, but penalties may apply.

112. If a customer opens a Recurring Deposit Account, which of the following conditions will be true?
I. The customer must deposit a fixed amount every month.
II. The customer can withdraw money at any time without restrictions.
III. The deposit earns interest over time.
IV. The customer cannot deposit varying amounts each month.
(a) I and II are true
(b) II and III are true
(c) I and III are true
(d) III and IV are true

Ans : SQP 2023

(c) I and III are true
A Recurring Deposit Account requires customers to deposit a fixed amount every month and earns interest over time. Withdrawals before maturity usually incur penalties, and the amount deposited each month must be consistent, not variable.

113. When a debit card is used for payment, which of the following conditions apply?
I. The money is deducted directly from the user's bank account.
II. The user is given a credit limit to borrow money.
III. The transaction can be completed without entering a PIN for small amounts.
IV. The user has to repay the amount at the end of the billing cycle.
(a) I and III are true
(b) II and IV are true
(c) I and IV are true
(d) III and IV are true

Ans : COMP 2012

(a) I and III are true
A debit card deducts money directly from the user's bank account. For small transactions, contactless payments may not require a PIN. Unlike credit cards, debit cards do not provide a credit limit or require repayment at the end of a cycle.

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Cookies are small data files that websites store on a user's device to track browsing activity, login credentials, and preferences. They help improve user experience but can also be exploited for tracking and advertising.

146. Phishing is a legal way of obtaining banking information online.
(a) True
(b) False

Ans : COMP 2002

(b) False
Phishing is a cybercrime where fraudsters trick users into revealing banking details, passwords, or personal information through fake emails or websites.

147. Cyberbullying includes harassment, threats, or defamation using digital platforms.
(a) True
(b) False

Ans : MAIN 2015

(a) True
Cyberbullying involves online harassment, threats, or spreading false information using social media, emails, or messaging apps. It is a serious issue and can lead to psychological harm.

148. Internet banking services do not allow checking account balances.
(a) True
(b) False

Ans : SQP 2017

(b) False
Internet banking enables users to check their account balance, transfer funds, pay bills, and manage finances online without visiting a branch.

149. The Right to Seek Redressal allows consumers to file complaints against faulty goods or services.
(a) True
(b) False

Ans : COMP 2024

(a) True
Under Consumer Protection Rights, the Right to Seek Redressal enables consumers to file complaints against defective products, poor services, or unfair business practices.

150. A lender of last resort refers to a commercial bank offering emergency loans.
(a) True
(b) False

Ans : MAIN 2023

(b) False
The Central Bank (e.g., RBI) acts as the lender of last resort, providing emergency financial support to commercial banks during liquidity crises.

151. UPI allows fund transfers using only a mobile number or UPI ID.
(a) True
(b) False

Ans : SQP 2022

(a) True
UPI (Unified Payments Interface) allows instant fund transfers using a mobile number, UPI ID, or QR code, without needing bank details.

TWO MARK QUESTIONS

152. 'The Central Bank is a banker's bank.' Explain in brief.

Ans : MAIN 2024, 2020

The Central Bank acts as a banker to all the commercial banks in the country. It provides short-term loans and bill discounting facilities to commercial banks. It advises commercial banks on various matters relating to their business. It keeps cash reserves of commercial banks, acts as the lender of the last resort, controls credit, and performs the clearing house function for commercial banks.

153. What is meant by the 'Clearing House Function' of the Reserve Bank of India?

or

What is Banking?

Ans : SQP 2013, 2012

A bank is a company that collects money from the public as deposits and lends it to borrowers. It provides facilities for safekeeping, lending, and transferring money. As per the Banking Regulation Act, 1949, "Banking" involves accepting deposits from the public for lending or investment, repayable on demand or otherwise, and withdrawal through cheques, drafts, orders, or similar means."

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119. Which of the following statements is true for Credit Cards?
I. The user can borrow money up to a credit limit.
II. The full amount must be repaid immediately after each transaction.
III. A credit card allows users to make purchases on credit and repay later.
IV. Credit card users do not have to pay interest on unpaid balances.
(a) I and III are true
(b) II and IV are true
(c) III and IV are true
(d) I and II are true

Ans : COMP 2022

(a) I and III are true
A credit card allows users to borrow money up to a credit limit and repay it later. Users can pay the minimum due and carry forward the balance, but interest is charged on unpaid amounts.

120. Which of the following statements is true regarding cyber fraud prevention?
I. Never share OTPs, CVVs, or passwords with anyone.
II. Only physical transactions are at risk of fraud, not online payments.
III. Always verify emails and links before entering personal details.
IV. Using strong passwords and two-factor authentication enhances security.
(a) I and II are true
(b) III and IV are true
(c) I and IV are true
(d) II and III are true

Ans : MAIN 2021

(c) I and IV are true
To prevent cyber fraud, customers should never share OTPs, CVVs, or passwords and should enable two-factor authentication for added security. Online transactions are also at risk, so verifying links and emails is essential.

121. Which of the following is true for Real-Time Gross Settlement (RTGS) transactions?
I. It is used for high-value transactions.
II. It processes payments in real-time without batch processing.
III. RTGS transactions can be reversed after processing.
IV. RTGS operates only during banking hours.
(a) I and II are true
(b) III and IV are true
(c) I and III are true
(d) II and IV are true

Ans : SQP 2020

(a) I and II are true
RTGS is designed for high-value transactions, typically above ₹2 lakh. Payments are processed instantly and individually, unlike NEFT, which operates in batches. RTGS transactions cannot be reversed once processed, and they operate during specified banking hours.

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122. Which of the following is true about National Electronic Funds Transfer (NEFT)?
I. NEFT allows fund transfers across banks in India.
II. NEFT operates in batch processing mode.
III. NEFT is available 24/7, including holidays.
IV. NEFT transactions are processed in real-time.
(a) I and II are true
(b) III and IV are true
(c) I and IV are true
(d) II and III are true

Ans : COMP 2008

(d) II and III are true
NEFT is a nationwide electronic funds transfer system that processes transactions in batches. It was previously available during banking hours but now operates 24/7, including weekends and holidays. Unlike RTGS, NEFT is not real-time; it settles payments in batches.

123. Which of the following statements correctly describes Immediate Payment Service (IMPS)?
I. IMPS enables instant fund transfers 24/7.
II. IMPS transactions require the recipient's IFSC code and account number.
III. IMPS can be used for international transactions.
IV. IMPS transactions are processed in batch mode.
(a) I and II are true
(b) III and IV are true
(c) I and III are true
(d) II and IV are true

Ans : MAIN 2007

(a) I and II are true
IMPS is a real-time electronic fund transfer system that operates 24/7. It requires the recipient's

(b) Fixed Deposit Account
A Fixed Deposit (FD) Account allows depositors to invest money for a fixed tenure at higher interest rates. The deposited amount can only be withdrawn after maturity, with penalties for early withdrawals.

133. Which image represents a digital payment system that enables instant bank-to-bank money transfers using a mobile app?

(a) RTGS Transaction Screen
(b) UPI Payment Interface
(c) NEFT Transfer Receipt
(d) Fixed Deposit Certificate

Ans : SQP 2002

(b) UPI Payment Interface
Unified Payments Interface (UPI) is a real-time payment system that allows users to transfer funds instantly using a UPI ID or mobile number without needing bank account details.

134. Identify the financial service depicted in the picture below

(a) Debit Card Transaction
(b) Credit Card Payment
(c) Internet Banking
(d) Fixed Deposit

Ans : COMP 2015

(b) Credit Card Payment
A Credit Card allows users to make purchases on credit, meaning they can buy goods and services without immediately using their own money. The bank provides a credit limit, and the user repays the amount later, often with interest if not paid within the due date.

TRUE FALSE QUESTIONS

135. The Recurring Deposit Account requires a depositor to deposit a fixed amount every month for a specific period.
(a) True
(b) False

Ans : MAIN 2024

(a) True
A Recurring Deposit (RD) Account is a special kind of term deposit where a customer deposits a fixed amount every month for a predetermined tenure. The deposited amount earns interest, and the total amount, along with interest, is paid at maturity. This is an ideal savings option for people who want to save systematically over time.

136. A Current Deposit Account is mainly used by businesses and allows unlimited transactions.
(a) True
(b) False

Ans : SQP 2023

(a) True
A Current Deposit Account is designed for businesses, companies, and traders who require frequent transactions. Unlike a savings account, which has a limit on withdrawals, a current account allows unlimited deposits and withdrawals to facilitate daily transactions. However, current accounts do not earn interest, as they are intended for transactional purposes rather than savings.

137. NEFT transactions are processed in real-time and settled individually.
(a) True
(b) False

Ans : COMP 2005

(b) False
National Electronic Funds Transfer (NEFT)

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methods. Users can transfer money without remembering bank details, as transactions are processed using UPI IDs or mobile numbers.

129. Which of the following is true for Intellectual Property (IP)?

I. Intellectual Property includes patents, copyrights, and trademarks.
II. IP protects intangible creations of the human mind.
III. IP refers to physical property like land and machinery.
IV. IP laws prevent unauthorized use of creative works.

(a) I and II are true
(b) III and IV are true
(c) I and IV are true
(d) II and III are true

Ans : MAIN 2011

(a) I and II are true
Intellectual Property (IP) refers to intangible creations like inventions, artistic works, and brand names. It is protected by patents, copyrights, and trademarks, ensuring creators get legal rights over their work.

130. Which of the following statements correctly describes cyberbullying?

I. Cyberbullying involves online harassment or threats.
II. It can occur through social media, emails, or messaging apps.
III. Only physical bullying is harmful; cyberbullying has no real impact.
IV. Victims of cyberbullying can report cases to authorities.

(a) I and II are true
(b) III and IV are true
(c) I and IV are true
(d) II and III are true

Ans : SQP 2019

(a) I and II are true
Cyberbullying is a serious issue involving online harassment, threats, or defamation. It occurs on social media, emails, and messaging apps and can have severe emotional and psychological effects on victims.

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PICTURE BASED QUESTIONS

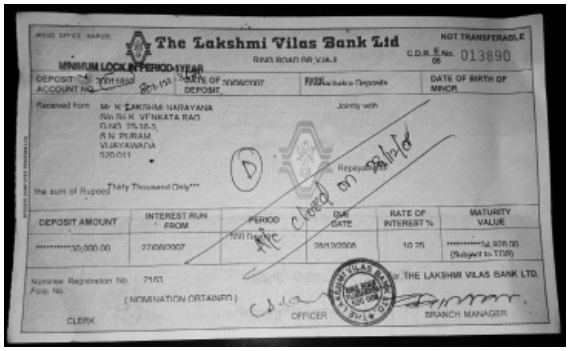
131. Identify the picture.

(a) Fixed Deposit Account
(b) Internet Banking
(c) Warehouse
(d) Recurring Deposit Account

Ans : COMP 2001

(b) Internet Banking
Internet Banking, also known as online banking, allows customers to conduct financial transactions via the internet. It enables services like fund transfers (NEFT, RTGS, IMPS), bill payments, account balance checks, and loan applications without visiting a bank branch.

132. Identify the image that represents a bank account where a depositor agrees to keep money for a fixed period in exchange for higher interest rates.



(a) Savings Account
(b) Fixed Deposit Account
(c) Recurring Deposit Account
(d) Warehouse

Ans : MAIN 2012

NODIA

False accounting can take place for a number of reasons :
(i) To obtain additional financing from a bank
(ii) To report unrealistic profits
(iii) To inflate the share price
(iv) To hide losses
(v) To attract customers by appearing to be more successful than you are
(vi) To achieve a performance-related bonus
(vii) To cover up theft

163. Describe Insurance Fraud.

Ans : SQP 2003

Insurance fraud is any act committed with the intent to obtain a fraudulent outcome from an insurance process. This may occur when a claimant attempts to obtain some benefit or advantage to which they are not otherwise entitled, or when an insurer knowingly denies some benefit that is due.

164. Give the meaning of Intellectual Property Fraud.

Ans : COMP 2004

Intellectual property fraud refers to the unauthorized use, reproduction, or distribution of someone else's intellectual creations such as patents, trademarks, copyrights, or trade secrets, often for personal or financial gain.

165. State any two precautions while using an 'ATM'.

Ans : MAIN 2019

1. Keep PIN Confidential : Ensure your PIN is not shared with anyone and cover the keypad while entering it.
2. Beware of Surroundings : Check for suspicious activities or devices attached to the ATM before using it to avoid skimming or fraud.

166. Distinguish between Debit Card and Credit Card.

Ans : SQP 2019, 2018,2017

Difference between Debit Card and Credit Card :

S. No.	Debit Card	Credit Card
(i)	Available to account holders who keep deposit accounts.	Available to selected customers who make payment of credit bills.
(ii)	No overdraft is available.	Fully depends on overdraft up to a specified limit.
(iii)	This card is used like a cash payment.	This card is widely used for credit purchases.

167. What steps can be taken to protect against intellectual property fraud?

Ans : COMP 2009

The following actions can be taken against intellectual property frauds :
(i) Report the fraud immediately to the appropriate authority.
(ii) File a claim for monetary loss or damage caused by the fraud.
(iii) Register a criminal case against the person/ party involved in the fraud.
(iv) Return the misappropriated intellectual property material.
(v) Be aware of signs of fraud.

168. What is the primary role of the Central Bank in a country?

Ans : MAIN 2001

The Central Bank is the apex financial institution responsible for controlling, regulating, and stabilizing the monetary and banking system of a country. It ensures price stability, manages the currency issuance, supervises commercial banks, and implements monetary policies to foster economic growth. In India, the Reserve Bank of India (RBI) serves as the Central Bank.

169. Explain the term Real Time Gross Settlement (RTGS).

Ans : SQP 2012

RTGS (Real Time Gross Settlement) is a high-value fund transfer system where money is transferred from one bank to another on a real-time (immediate processing) and gross (individual transaction) basis. This system is primarily used for transactions above ₹2 lakh, ensuring instantaneous and secure settlement without any batch processing or delays, unlike NEFT.

170. What is the difference between a Savings Deposit Account and a Fixed Deposit Account?

Ans : COMP 2002

A Savings Deposit Account is designed for regular savings, allowing limited withdrawals, and pays a moderate interest rate to depositors. It is ideal for individuals seeking liquidity and flexibility.

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does not process transactions in real-time; instead, it operates on a batch processing system. Transactions are collected and processed at regular intervals throughout the day. Unlike RTGS, which allows instant high-value transfers, NEFT transactions may take a few hours to complete.

138. RTGS is primarily used for low-value fund transfers.
(a) True
(b) False

Ans : MAIN 2000

(b) False
Real-Time Gross Settlement (RTGS) is designed for high-value transactions, usually above ₹2 lakh. It is commonly used by businesses and financial institutions for large payments, as funds are settled instantly and individually, without any batch processing.

139. IMPS allows fund transfers 24/7, even on bank holidays.
(a) True
(b) False

Ans : SQP 2006

(a) True
Immediate Payment Service (IMPS) is a real-time fund transfer system that operates 24/7, including weekends and bank holidays. Unlike NEFT and RTGS, which have limited banking hours, IMPS allows instant money transfers via mobile banking, internet banking, and UPI.

140. A Fixed Deposit Account allows unlimited withdrawals without penalties.
(a) True
(b) False

Ans : COMP 2018

(b) False
A Fixed Deposit (FD) Account requires the depositor to keep the money locked for a fixed tenure, and withdrawing before maturity may result in penalty charges or lower interest rates. This type of deposit is intended for long-term savings, offering higher interest than savings accounts.

141. E-Wallets must always be linked to a bank account for transactions.
(a) True
(b) False

Ans : MAIN 2003

(b) False
E-Wallets (Mobile Wallets) do not always require a bank account. Some e-wallets, like Paytm or PhonePe, allow users to preload funds and use them for purchases without linking to a bank. Others, like Google Pay or UPI wallets, require a bank account for transactions.

142. UPI transactions can only be completed during banking hours.
(a) True
(b) False

Ans : SQP 2004

(b) False
Unlike NEFT and RTGS, which operate during specific banking hours, UPI (Unified Payments Interface) is available 24/7, including weekends and public holidays. This makes UPI a fast and convenient option for digital transactions.

143. A debit card allows a customer to spend more than their bank account balance.
(a) True
(b) False

NODIA

Ans : COMP 2009

(b) False
A debit card is directly linked to a customer's bank account, meaning they can only spend the available balance. Unlike a credit card, which allows users to borrow up to a credit limit, debit cardholders cannot spend beyond their balance.

144. A credit card transaction does not require repayment.
(a) True
(b) False

Ans : MAIN 2001

(b) False
A credit card allows users to make purchases on credit, but they must repay the borrowed amount by the due date. If not repaid, the bank charges interest and penalties on the outstanding balance.

145. Cookies are small files that store user data while browsing websites.
(a) True
(b) False

Ans : SQP 2012

(a) True

114. Which of the following statements is true for Internet Banking?
I. Customers can transfer funds without visiting a bank branch.
II. Transactions can only be done during banking hours.
III. Internet banking allows payment of utility bills and online shopping.
IV. Internet banking does not provide account balance checks.
(a) I and III are true
(b) II and IV are true
(c) I and IV are true
(d) III and IV are true

Ans : MAIN 2002

(a) I and III are true
Internet banking enables users to transfer funds, pay bills, and shop online without visiting a bank. It operates 24/7, not just during banking hours. Customers can also check their account balance through internet banking.

115. When a customer uses UPI (Unified Payments Interface), which of the following conditions will apply?
I. The transaction is completed instantly.
II. UPI transactions require only a mobile number or UPI ID.
III. UPI transactions are available only during banking hours.
IV. UPI requires an OTP for every transaction.
(a) I and II are true
(b) III and IV are true
(c) I and IV are true
(d) II and IV are true

Ans : SQP 2015

(a) I and II are true
UPI transactions are instant and can be completed using a mobile number or UPI ID, without needing bank details. They are available 24/7, and while they require authentication, OTP is not always mandatory.

116. Which of the following is true for a Current Deposit Account?
I. It is mostly used by businesses for daily transactions.
II. It allows unlimited deposits and withdrawals.
III. It earns high interest for account holders.
IV. It is not available for individuals.
(a) I and II are true
(b) III and IV are true
(c) II and III are true
(d) I and IV are true

Ans : COMP 2017

(a) I and II are true
A Current Deposit Account is designed for businesses to facilitate daily transactions. It allows unlimited deposits and withdrawals but does not earn interest. Individuals can open a current account, but it is primarily for businesses.

117. Which of the following is true for Fixed Deposit Accounts?
I. The money remains locked for a fixed period.
II. The depositor earns higher interest than a savings account.
III. The deposit can be withdrawn at any time without penalty.
IV. The interest rate is variable every month.
(a) I and II are true
(b) II and III are true
(c) I and IV are true
(d) III and IV are true

Ans : MAIN 2024

(a) I and II are true
A Fixed Deposit Account locks funds for a fixed period and offers higher interest rates than savings accounts. However, premature withdrawals incur penalties, and the interest rate remains fixed during the term.

118. Which of the following is true for ATM withdrawals?
I. The withdrawal amount is deducted from the customer's bank account immediately.
II. ATM transactions can be performed without a PIN.
III. Customers can withdraw cash only during banking hours.
IV. ATMs provide mini-statements and balance inquiries.
(a) I and IV are true
(b) II and III are true
(c) I and III are true
(d) II and IV are true

Ans : SQP 2023

(a) I and IV are true
When a customer withdraws money from an ATM, the amount is immediately deducted from their account. ATMs also provide mini-statements and balance inquiries. PIN authentication is required, and ATMs operate 24/7.

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154. Define Central Bank.

Ans : SQP 2023

The Central Bank is the apex financial institution of a country responsible for issuing currency, regulating monetary policy, managing foreign exchange, and supervising the banking system. It ensures economic stability.

155. What is a central bank ?

Ans : COMP 2022, 2021

A central bank is the apex financial institution in a country responsible for regulating and managing the banking and monetary system. It controls the supply of money, issues currency, oversees commercial banks, acts as a lender of last resort, and ensures economic stability. In India, the Reserve Bank of India (RBI) is the central bank.

156. Explain any two functions of the Central Bank.

Ans : MAIN 2022, 2021

Two functions of the Central Bank are :

(i) Issue of Currency : The Central Bank is given the sole monopoly of issuing currency in order to secure control over the volume of currency and credit. These notes circulate throughout the country as legal tender money. It has to keep a reserve in the form of gold and foreign securities as per statutory rules against the notes issued by it. It may be noted that RBI issues all currency notes in India except one rupee note.

(ii) Lender of the Last Resort : When commercial banks fail to meet their financial requirements from other sources, they approach the Central Bank to give loans and advances as lender of the last resort. The Central Bank assists these banks through discounting of approved securities and bills of exchange.

157. Write short notes on :

(a) Intellectual Property Fraud

(b) Internet and Cyber fraud

Ans : SQP 2021

(a) Intellectual Property Fraud is when fake goods are passed off as originals. It can include counterfeit products or piracy on products from many industries, including health, music, film, and fashion.

(b) Internet and Cyber Fraud refers to criminal offenses committed via the Internet or otherwise aided by various forms of computer technology, such as the use of online social networks, to bully others or sending sexually explicit digital photos with a smartphone.

158. Explain Credit Card Fraud in brief.

Ans : COMP 2020

Credit Card Fraud is a broad term consisting of theft of a credit card and fraudulent use of funds. The purpose of the fraud may be to obtain goods without paying or to get unauthorized funds from the account. It may be :

(i) Physical theft of the card

(ii) Information concerning the card and bank account may be stolen

159. What do you mean by Internet and Cyber Fraud?

Ans : MAIN 2019

Internet or Cyber Fraud refers to criminal offenses committed via the Internet or otherwise aided by various forms of computer technology, such as the use of online social networks, to bully others or to send sexually explicit digital photos with a smartphone.

160. What is Credit Card Fraud?

Ans : SQP 2005

Credit Card Fraud involves an employee or an organization altering, destroying, or defacing any account; or presenting accounts from an individual or an organization so they don't reflect their true value or the financial activities of that company.

161. What is false accounting fraud?

Ans : COMP 2000

False accounting fraud involves an employee or an organization altering, destroying, or defacing any account; or presenting accounts from an individual or an organization so they don't reflect their true value or the financial activities of that company.

False accounting is fraudulent and usually occurs when a business or employee :

(i) Deliberately records false financial information

(ii) Changes, defaces or destroys records

(iii) Exaggerates the business' assets or understates its liabilities

162. Give any two reasons where false accounting can take place?

Ans : MAIN 2018

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account number and IFSC code or mobile number linked to a bank account. It is only available for domestic transactions, unlike RTGS, which can sometimes be used for international payments.

124. Which of the following is true for E-Wallets or Mobile Wallets?
I. E-wallets allow digital transactions without using physical cash.
II. Users need to load money into their e-wallet before making payments.
III. E-wallets can only be used at ATMs.
IV. E-wallet transactions require a credit card.
(a) I and II are true
(b) III and IV are true
(c) I and IV are true
(d) II and III are true

Ans : SQP 2016

(a) I and II are true
E-Wallets allow cashless transactions using pre-loaded funds stored in a digital wallet. They can be used for bill payments, shopping, and peer-to-peer transfers. E-wallets do not require a credit card or ATM access for usage.

125. Which of the following is true for a Saving Deposit Account?
I. It allows limited withdrawals per month.
II. It provides interest on deposited money.
III. It is primarily used by businesses for frequent transactions.
IV. It offers higher interest rates than Fixed Deposit Accounts.
(a) I and II are true
(b) III and IV are true
(c) I and IV are true
(d) II and III are true

Ans : COMP 2013

(a) I and II are true
A Saving Deposit Account is designed for individuals to save money while earning interest. However, it places limits on withdrawals per month to encourage savings. Businesses prefer Current Deposit Accounts, and Fixed Deposits offer higher interest rates than savings accounts.

126. Which of the following is true for a Current Deposit Account?
I. It allows unlimited withdrawals and deposits.
II. It is mostly used by businesses and traders.
III. It offers high-interest rates to account holders.
IV. It restricts transactions like a Savings Account.
(a) I and II are true
(b) III and IV are true
(c) I and IV are true
(d) II and III are true

Ans : MAIN 2021

(a) I and II are true
A Current Deposit Account is suitable for businesses, allowing unlimited deposits and withdrawals to manage daily transactions. Unlike Savings Accounts, Current Accounts do not earn interest, as they are meant for frequent transactions.

127. Which of the following statements correctly describes cyber fraud prevention?
I. Always verify website URLs before entering sensitive information.
II. Sharing OTPs with trusted friends is safe.
III. Using two-factor authentication enhances account security.
IV. Clicking on links in unknown emails is safe.
(a) I and III are true
(b) II and IV are true
(c) I and IV are true
(d) III and IV are true

Ans : SQP 2010

(a) I and III are true
To prevent cyber fraud, users should verify website URLs to avoid phishing scams and enable two-factor authentication for additional security. OTPs should never be shared, and clicking on unknown links can lead to malware attacks.

128. Which of the following is true about Unified Payments Interface (UPI)?
I. UPI transactions are processed instantly.
II. UPI transactions can be done 24/7, including holidays.
III. UPI requires users to remember long bank account details.
IV. UPI cannot be used for bill payments.
(a) I and II are true
(b) III and IV are true
(c) I and IV are true
(d) II and III are true

Ans : COMP 2014

(a) I and II are true
UPI allows instant and 24/7 transactions, making it a convenient alternative to traditional banking

In contrast, a Fixed Deposit Account requires depositing a fixed sum of money for a specific period. It offers higher interest rates than savings accounts but restricts withdrawals until maturity. Early withdrawals incur penalties or loss of interest.

171. What is the purpose of Internet Banking?

Ans : MAIN 2015

Internet Banking provides customers with a convenient way to access banking services online. It enables users to transfer funds (NEFT, RTGS, IMPS), pay bills, apply for loans, and check account balances without visiting a bank branch. This service is available 24/7, ensuring enhanced efficiency, flexibility, and accessibility for financial transactions.

172. What is the function of a Credit Card?

Ans : SQP 2017

A Credit Card is a financial tool that allows users to purchase goods and services on credit up to a predefined credit limit set by the issuing bank. Cardholders repay the borrowed amount within the billing cycle. If payments are delayed or partial, interest is charged on the remaining balance. Credit cards are widely used for cashless transactions, offering benefits like reward points, cashback, and EMI options.

173. What is the principle of custodian of foreign currency in Central Bank functions?

Ans : COMP 2024

The Central Bank acts as the custodian of foreign exchange reserves, ensuring the country's financial stability in international markets. It manages foreign currency reserves, facilitates foreign trade, stabilizes the exchange rate, and ensures the availability of foreign currency for importers and exporters. In India, the RBI oversees these operations to promote economic stability and growth.

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174. Define Unified Payments Interface (UPI).

Ans : MAIN 2023

UPI (Unified Payments Interface) is an instant digital payment system developed by the National Payments Corporation of India (NPCI), under the supervision of the Reserve Bank of India (RBI). It enables users to transfer funds instantly between bank accounts using UPI IDs, mobile numbers, or QR codes, without the need for extensive bank details. UPI is fast, secure, and available 24/7 making it a popular payment method.

175. What is Cyber Fraud, and how is it committed?

Ans : SQP 2022

Cyber fraud refers to unlawful activities carried out via the internet or mobile networks, aimed at harming individuals or organizations financially or reputationally. Common methods include phishing, hacking, identity theft, and online scams, where fraudsters deceive victims into sharing sensitive information like passwords, banking credentials, or OTPs. It highlights the need for strong cybersecurity measures.

176. What is the role of an Automatic Teller Machine (ATM)?

Ans : COMP 2020

An ATM (Automatic Teller Machine) is a self-service banking terminal that allows customers to perform basic financial transactions, such as cash withdrawal, fund transfers, account balance inquiries, and mini-statements, without needing to visit a bank branch. ATMs operate 24/7, providing convenience and accessibility to customers for cash and banking services.

177. What is the purpose of the Right to Seek Redressal in consumer rights?

Ans : MAIN 2008

The Right to Seek Redressal empowers consumers to file complaints and demand compensation or replacement for defective products or poor services. It protects against unfair trade practices, ensuring that businesses are held accountable. Consumers can approach forums like the Consumer Dispute Redressal Commission for justice.

178. What does the term Banker's Bank mean in the context of the Central Bank?

Ans : SQP 2007

The term Banker's Bank refers to the Central Bank's role in supervising and regulating commercial banks. It provides them with loans, rediscounting facilities, and maintains cash reserves for liquidity. The Central Bank also serves as the clearinghouse, facilitating interbank transactions.

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2. Advancing Loans :
   (i) Banks provide loans to individuals, businesses, and industries, facilitating capital formation and economic growth.
   (ii) Loans include personal loans, business loans, and housing loans, among others.
3. Credit Creation : By granting loans, banks create credit, which increases the money supply in the economy and boosts business activities.
4. Agency Functions : Banks perform functions like collecting cheques, paying utility bills, and buying or selling securities on behalf of customers.
5. Promoting Financial Inclusion : Banks extend services to rural and underserved areas, promoting savings and investments in all sections of society.

Impact : Commercial banks are crucial for capital mobilization, credit distribution, and financial stability, driving economic growth and development.

197. Explain the functions of commercial banks.

Ans : COMP 2012

Functions of Commercial Banks : Commercial banks play a crucial role in the economy by providing essential banking services.

1. Accepting Deposits : Commercial banks accept deposits from individuals and businesses in forms such as savings accounts, current accounts, recurring deposits, and fixed deposits. This mobilizes public savings for productive purposes.
2. Advancing Loans : Banks provide loans to individuals and businesses for personal and commercial purposes. These loans facilitate capital formation and drive economic activities.
3. Credit Creation : By granting loans, banks create credit, increasing the money supply in the economy and boosting business operations.
4. Agency Services : Banks act as agents by collecting cheques, paying bills, and conducting transactions such as buying or selling securities on behalf of their customers.
5. Promoting Financial Inclusion : Commercial banks provide banking services in rural and underserved areas, ensuring access to credit and financial literacy for all.

198. What is the role of the Central Bank as the custodian of foreign currency?

Ans : MAIN 2002

Role as Custodian of Foreign Currency : The Central Bank manages the country's foreign exchange reserves to ensure financial stability in international markets.

1. Maintaining Reserves : It holds foreign currencies to facilitate international trade and payment obligations.
2. Stabilizing Exchange Rates : The Central Bank intervenes in the foreign exchange market to stabilize the value of the national currency, preventing volatility.
3. Facilitating Trade : Exporters and importers rely on the Central Bank to access foreign currencies for transactions, promoting smooth international trade.
4. Monitoring Inflows and Outflows : It oversees foreign capital movements to maintain a balanced economic structure.

199. What are the advantages of using Internet Banking?

Ans : SQP 2015

Advantages of Internet Banking : Internet banking simplifies financial transactions by enabling customers to access banking services online.

1. Convenience : Customers can perform banking operations such as fund transfers and bill payments from anywhere, saving time and effort.
2. Accessibility : Internet banking is available 24/7, allowing users to access their accounts and services outside traditional banking hours.
3. Financial Management : Users can monitor account activity, check transaction history, and manage finances efficiently.
4. Speed : Transactions, such as RTGS, NEFT, and IMPS, are processed quickly, ensuring real-time or batch processing.
5. Cost-Effective : Internet banking reduces operational costs for banks and eliminates the need for extensive paperwork, making it efficient for users.

200. What is Real Time Gross Settlement (RTGS), and how does it work?

Ans : COMP 2017

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Ans : COMP 2019

Clearing House functions of the RBI means the claims of different commercial banks on one another and settled by the RBI through book entries, and only net claims are actually paid or received. The daily balances between the commercial banks can easily be adjusted by means of debit and credit entries in respective accounts with the Central Bank, e.g., Bank of Baroda has to pay an amount of ₹20 lakhs to PNB. To settle its dues, Bank of Baroda will issue a cheque of ₹20 lakhs to PNB. RBI will debit the account of Bank of Baroda by ₹20 lakhs and credit the account of PNB by the same amount.

189. Explain in brief the five functions of the Central Bank of a country.

or

Explain any five functions of the Central Bank of India.

Ans : MAIN 2017, 2016, 2011

1. Currency Issuance : The Central Bank has the sole authority to issue currency in the country, ensuring uniformity and maintaining trust in the monetary system.
2. Lender of Last Resort :It provides financial assistance to commercial banks during times of financial crisis, ensuring the stability of the banking system.
3. Monetary Policy Implementation :The Central Bank regulates the money supply and credit in the economy by adjusting interest rates, reserve ratios, and open market operations.
4. Foreign Exchange Management : It manages the country's foreign exchange reserves and stabilizes the exchange rate by intervening in the forex market when necessary.
5. Supervision of Banks : The Central Bank supervises and regulates commercial banks to ensure they operate within legal frameworks and maintain financial discipline.

These functions ensure the smooth functioning of the economy and maintain financial stability.

190. Distinguish between Central Bank and Commercial Bank.

Ans : SQP 2020, 2019

Difference between Central Bank and Commercial Bank :

Points of Distinction	**Central Bank**	**Commercial Bank**
Ownership	Central Bank is owned by the government.	Commercial Bank is owned by shareholders.
Nature	Central Bank is a non-profit institution.	Commercial Bank is a profit-making institution.
Customers	Central Bank is a banker to the government.	Commercial Bank is a banker to the general public.
Function	Central Bank has the monopoly on note issue.	Commercial Bank cannot issue notes but only cheques.
Foreign Currency	Central Bank is the custodian of the country's foreign currency reserves.	Commercial Bank is the dealer in foreign currencies.
Head	The chief of the Central Bank is called the 'Governor.'	The chief executive of a Commercial Bank is called the 'Chairman.'
Amount	Deals in large amounts of money.	Deals in relatively smaller amounts of money.
Credit	Controls credit.	Creates credit.
Statute	RBI Act of 1934.	Banking Regulation Act of 1949.

191. How can we prevent cyber crimes?

Ans : COMP 2006

Cybercrimes can be prevented by taking the following detailed measures :

1. Use Strong and Unique Passwords : Always create passwords that are complex, containing a mix of letters, numbers, and special characters. Avoid using easily guessable passwords like birthdays or common phrases.

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1. A Fixed Deposit Account ensures safe, long-term investment with a higher interest rate, providing guaranteed returns. It restricts premature withdrawals to encourage disciplined savings.
2. Mobile Wallets allow Ms. Neha to make secure and convenient online payments, shop cashlessly, and pay bills effortlessly using her smartphone.
3. Ms. Neha should verify the authenticity of websites before entering wallet details and avoid sharing financial information on untrusted platforms.

214. Mr. Rahul uses RTGS for high-value business transactions and has a Savings Deposit Account for personal use. He recently received a phishing email asking for his banking credentials, which he unknowingly shared, leading to financial fraud.
1. What are the benefits of a Savings Deposit Account for Mr. Rahul?
2. How does RTGS support Mr. Rahul's business transactions?
3. What steps should Mr. Rahul take to avoid phishing scams?

Ans :

1. A Savings Deposit Account helps Mr. Rahul manage personal finances, offering flexibility and interest on deposits. It allows withdrawals with certain limitations.
2. RTGS ensures instant, secure, and high-value fund transfers, making it ideal for Mr. Rahul's time-sensitive business transactions.
3. Mr. Rahul should verify the authenticity of emails, avoid sharing sensitive credentials online, and report suspicious emails to his bank.

215. Mr. Sharma opened a Fixed Deposit Account in a commercial bank for ₹5 lakhs for a tenure of 3 years. However, after one year, he faced a financial emergency and wanted to withdraw the money before maturity. When he approached the bank, he was informed that a penalty would be charged for early withdrawal.
1. Will Mr. Sharma be able to withdraw the fixed deposit amount before maturity? Why?
2. Identify the banking concept related to this case.

Ans :

1. Yes, Mr. Sharma can withdraw the fixed deposit before maturity; however, he will have to pay a penalty for early withdrawal. Fixed Deposit Accounts are designed for long-term savings with higher interest rates, but premature withdrawal results in either a penalty or a reduction in interest earnings.
2. The concept of Fixed Deposit Account applies in this case. A Fixed Deposit Account allows customers to deposit a lump sum amount for a fixed tenure, and it earns a higher interest rate compared to a regular savings account. However, withdrawals before the tenure ends come with penalties to encourage long-term savings.

216. Mr. Verma uses Internet Banking to manage his personal finances. One day, he received an email claiming to be from his bank, asking him to update his account details by clicking on a link. Without verifying the email, he entered his username, password, and OTP, which resulted in unauthorized transactions from his account.
1. What mistake did Mr. Verma make, and what should he have done instead?
2. Identify the type of cyber fraud involved in this case.

Ans :

1. Mr. Verma's mistake was entering his banking credentials on a fraudulent website without verifying its authenticity. Instead, he should have checked with his bank directly and never shared his OTP or login details with anyone.
2. This case relates to Phishing, a type of cyber fraud where fraudsters deceive individuals into revealing sensitive information through fake emails or websites.

217. Ms. Priya frequently uses Unified Payments Interface (UPI) for online payments. One day, she received a call from someone claiming to be a bank official, asking her to approve a UPI request to receive cashback rewards. She followed the instructions and soon found money debited from her account instead.
1. What mistake did Ms. Priya make, and how can she prevent such fraud?
2. Identify the principle of safe digital transactions violated in this case.

Ans :

1. Ms. Priya's mistake was approving a fraudulent UPI request without verifying its authenticity. She should never approve unknown UPI requests or share OTPs. Banks

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(i) Allows depositors to save a fixed amount monthly for a specified period.
(ii) Earns interest on cumulative deposits, with the maturity amount paid at the end of the tenure.
(iii) Encourages disciplined saving habits.

3. Current Deposit Account :
(i) Mainly for businesses, allowing unlimited deposits and withdrawals.
(ii) Does not offer interest, as it is used for frequent transactions.
(iii) Useful for traders and companies handling large daily transactions.

4. Fixed Deposit Account :
(i) A sum of money is deposited for a fixed period, earning higher interest rates.
(ii) Withdrawals before maturity attract penalties.
(iii) Ideal for those looking for safe, long-term investments.

194. What is Internet Banking? Explain its types and features.

Ans : COMP 2004

Internet Banking refers to performing banking transactions via the internet without visiting a branch. It offers services such as fund transfers, bill payments, account balance checks, and loan applications, ensuring convenience and accessibility.

Types of Internet Banking Services :

1. Real Time Gross Settlement (RTGS) :
(i) Used for high-value fund transfers (₹2 lakh and above).
(ii) Processes transactions in real-time and individually.

2. National Electronic Funds Transfer (NEFT) :
(i) Allows fund transfers in batches.
(ii) Suitable for small and medium-value transactions.

3. Immediate Mobile Payment Service (IMPS) :
(i) Real-time, 24/7 fund transfers via mobile or Aadhaar-linked accounts.
(ii) Suitable for instant payments, even on holidays.

4. Mobile Wallets (E-Wallets) :
(i) Prepaid accounts that store money for online transactions.
(ii) Used for bill payments, shopping, and peer-to-peer transfers.

5. Automatic Teller Machines (ATM) : Provides round-the-clock access to cash withdrawals, fund transfers, and account inquiries.

6. Features of Internet Banking :
(i) Available 24/7.
(ii) Enables secure and quick transactions.
(iii) Eliminates the need to visit a branch for routine banking tasks.

195. What are the key terms related to cyber fraud? Explain each.

Ans : MAIN 2009

The following key terms are associated with cyber fraud :

1. Intellectual Property (IP)
(i) Refers to creations of the human mind, such as inventions, designs, and artistic works.
(ii) Protects intangible assets through patents, copyrights, and trademarks.

2. Browser
(i) A program used to access the internet. Examples include Google Chrome, Mozilla Firefox, and Internet Explorer.
(ii) It enables users to visit websites and interact with online platforms.

3. Cookie :
(i) A small information packet sent from a website to a web browser.
(ii) Tracks user activity on a website to enhance the browsing experience.

4. Cyber Bullying :
(i) The act of harassing or intimidating someone via the internet.
(ii) Includes spreading false information, sending threatening messages, or defaming an individual online.

Importance : Understanding these terms helps individuals protect themselves from cyber fraud and ensure safe online interactions.

196. Explain the role of Commercial Banks in the economy.

Ans : SQP 2001

Commercial Banks play a vital role in the economic development of a country by providing essential financial services. Their primary roles include :

1. Accepting Deposits :
(i) Commercial banks accept deposits from individuals, businesses, and institutions in the form of savings, current, recurring, and fixed deposit accounts.
(ii) These deposits mobilize public savings for productive purposes.

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Regularly update passwords and avoid reusing them across multiple accounts.

2. Enable Two-Factor Authentication (2FA) : Use two-factor authentication for your accounts. This adds an extra layer of security by requiring a second form of verification, such as a code sent to your phone.
3. Install Antivirus and Firewall Software : Reliable antivirus software can protect devices from malware and spyware. Firewalls act as a barrier between your network and potential attackers, preventing unauthorized access.
4. Avoid Clicking on Suspicious Links : Be cautious while opening emails or messages with links or attachments from unknown sources. These may lead to phishing scams or download malicious software.
5. Regularly Update Software and Systems : Keep your operating systems, browsers, and applications updated to their latest versions. Updates often include security patches to fix vulnerabilities.
6. Avoid Sharing Sensitive Information Online : Be careful about sharing personal or financial information, especially on untrusted websites or public platforms. Ensure websites are secure (look for "https" and a padlock symbol).
7. Educate Yourself and Others : Awareness is key to prevention. Learn about common cyber threats such as phishing, ransomware, and identity theft. Educate family and colleagues to recognize and respond to cyber threats.
8. Use Secure Networks : Avoid using public Wi-Fi networks for sensitive transactions like banking. Use VPN (Virtual Private Network) to secure your connection when accessing public networks.
9. Monitor Financial and Online Accounts Regularly : Keep a close watch on your financial accounts for any unauthorized transactions. Early detection can help prevent further damage.
10. Report Suspicious Activity : If you suspect any cybercrime, report it to the relevant authorities or cybercrime helplines immediately. Prompt action can help prevent further harm.

By following these practices, individuals can significantly reduce the risk of falling victim to cybercrimes.

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192. Explain the functions of the Central Bank.

Ans : MAIN 2018

The Central Bank performs the following functions to regulate and stabilize the monetary and banking system :

1. Monopoly of Note-Issue : The Central Bank has the exclusive right to issue currency notes, ensuring uniformity and control over the money supply.
2. Banker, Fiscal Agent, and Advisor to the Government : It manages the government's accounts, finances, and provides economic advice.
3. Banker's Bank : It supervises and regulates commercial banks, providing loans, rediscounting facilities, and acting as a clearinghouse.
4. Lender of the Last Resort : It offers financial assistance to banks facing liquidity crises, ensuring stability in the banking sector.
5. Controller of Credit : By regulating interest rates, cash reserve ratios, and open market operations, the Central Bank controls credit flow to manage inflation and growth.
6. Custodian of Foreign Currency : It manages foreign exchange reserves, stabilizes the currency, and facilitates international trade.
7. Maintenance of Exchange Rate : The Central Bank ensures exchange rate stability to promote international trade and economic stability.
8. Provision of Clearing House Facility : It facilitates interbank settlements, ensuring smooth banking operations.
9. Development Functions : It promotes financial inclusion, modernizes banking systems, and supports economic growth through policy measures.

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193. Describe the types of deposit accounts offered by commercial banks.

Ans : SQP 2003

Commercial banks provide the following types of deposit accounts :

1. Savings Deposit Account :
   (i) Designed for individuals to encourage savings.
   (ii) Offers interest on deposits but restricts withdrawals to some extent.
   (iii) Suitable for salaried individuals and small savers.
2. Recurring Deposit Account :

RTGS (Real Time Gross Settlement) : RTGS is a payment system that processes high-value fund transfers instantly and individually.

1. Real-Time Processing : Transactions are processed without any waiting period, ensuring immediate settlement.
2. Gross Settlement : Funds are transferred individually, not in batches, which makes the process secure and fast.
3. Purpose : RTGS is typically used for large transactions, usually above ₹2 lakh.
4. Operation : Managed by the Central Bank, it is used by businesses and financial institutions for time-critical and secure transfers.

201. Differentiate between NEFT and IMPS.

Ans : MAIN 2024

Differences between NEFT and IMPS :

1. Transaction Type : NEFT processes transactions in batches, while IMPS ensures real-time transfers.
2. Timing : NEFT operates during banking hours, whereas IMPS is available 24/7, including weekends and holidays.
3. Suitability : NEFT is ideal for small and medium-value transfers, while IMPS is suitable for immediate and low-value payments.
4. Access : IMPS can be accessed via mobile apps or Aadhaar-linked accounts, whereas NEFT requires bank account details for processing.

202. Explain the purpose of a Fixed Deposit Account.

Ans : MAIN 2023

Purpose of Fixed Deposit Account : A Fixed Deposit Account allows depositors to save a fixed amount of money for a specific period, earning a higher interest rate than savings accounts.

1. Long-Term Savings : Fixed deposits encourage financial discipline by locking the funds for a predetermined tenure.
2. Higher Returns : It offers higher interest rates, making it an attractive option for individuals seeking safe investments.
3. Limited Access : Withdrawals before maturity are restricted and subject to penalties.
4. Maturity Benefits : At the end of the tenure, the depositor receives the principal amount along with the accrued interest.

203. What is the principle of "Lender of the Last Resort"?

Ans : SQP 2022

Lender of the Last Resort : The Central Bank acts as the lender of the last resort by providing financial assistance to banks and financial institutions during liquidity crises.

1. Emergency Support : It provides loans or rediscounting facilities to banks facing cash shortages.
2. Maintaining Stability : This role ensures stability in the banking system and prevents failures of financial institutions.
3. Building Confidence : It restores public trust in the financial system by ensuring the smooth functioning of banks.

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204. What are Mobile Wallets, and how do they work?

Ans : COMP 2020

Mobile Wallets (E-Wallets) : Mobile Wallets are digital tools that enable users to store money electronically and conduct transactions online.

1. Payment Mechanism : Users can load money into their wallet or link it to a bank account.
2. Uses : Mobile wallets can be used for online shopping, bill payments, and fund transfers.
3. Convenience : They eliminate the need for carrying cash or cards, offering a secure and quick payment option.
4. Examples : Popular mobile wallets include Paytm, Google Pay, and PhonePe.

205. What is the importance of the Clearing House Facility provided by the Central Bank?

Ans : MAIN 2024

Clearing House Facility : The Central Bank's clearing house ensures efficient settlement of interbank transactions.

1. Settlement of Payments : It acts as a mediator to process cheques, fund transfers, and payment instructions between banks.
2. Reducing Disputes : By facilitating accurate and timely settlements, it minimizes interbank disputes.
3. Enhancing Efficiency : The system ensures smooth operations, saving time and effort in reconciling accounts.

206. What is Cyber Fraud, and how can individuals protect themselves?

Ans : SQP 2023

Cyber Fraud : Cyber fraud involves illegal activities conducted online to cause financial or reputational harm.

1. Common Methods : It includes phishing, identity theft, hacking, and online scams.
2. Impact : Victims suffer financial loss or data breaches.
3. Prevention Measures : Individuals should avoid sharing sensitive information online, verify the authenticity of websites, and use secure passwords.

CASE BASED QUESTION

207. Mr. Sharma recently opened a Recurring Deposit Account at a commercial bank. He deposits ₹5,000 every month for a tenure of 12 months. Simultaneously, he uses Internet Banking for fund transfers and bill payments. During one transaction, he accidentally shared his OTP with an unknown caller, leading to unauthorized access to his bank account.

1. Why did Mr. Sharma choose a Recurring Deposit Account, and what are its benefits?
2. What are the advantages of using Internet Banking for Mr. Sharma, and how does it help him manage his finances?
3. What should Mr. Sharma have done to prevent unauthorized access to his bank account, and how does cyber fraud occur?

Ans :

1. Mr. Sharma chose a Recurring Deposit Account to save regularly and earn interest on cumulative deposits. Its benefits include financial discipline, guaranteed returns, and savings over time. At maturity, he receives both principal and interest.
2. Internet Banking provides convenience, 24/7 accessibility, faster transactions, and efficient account management. It allows Mr. Sharma to pay bills, transfer funds, and monitor his account from anywhere, saving time and effort.
3. Mr. Sharma should never share sensitive information like OTPs and verify callers' identities. Cyber fraud occurs when fraudsters gain unauthorized access to bank accounts through phishing or fake calls, often due to user negligence.

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208. Ms. Priya opened a Fixed Deposit Account at a commercial bank, depositing ₹1,00,000 for a tenure of one year at an annual interest rate of 6.5%. She also uses Mobile Wallets like Paytm for her online shopping and utility bill payments. However, she clicked on a phishing link sent via SMS and entered her wallet credentials, leading to unauthorized transactions from her wallet.

1. What are the advantages of a Fixed Deposit Account, and why is it suitable for Ms. Priya?
2. How do Mobile Wallets help Ms. Priya in managing her transactions conveniently?
3. What precautions should Ms. Priya have taken to avoid falling victim to phishing scams?

Ans :

1. A Fixed Deposit Account offers higher interest rates, safety of investment, and assured returns, making it ideal for Ms. Priya to save and grow her money securely over a fixed tenure.
2. Mobile Wallets enable Ms. Priya to make quick online payments, pay bills, and shop conveniently without cash or cards. They provide ease of transactions and accessibility through her smartphone.
3. Ms. Priya should avoid clicking on suspicious links, verify the authenticity of messages, and avoid entering credentials on unverified websites. Phishing scams trick users into sharing sensitive information, leading to unauthorized transactions.

209. Mr. Rajan is a business owner who maintains a Current Deposit Account at a commercial bank to manage his frequent transactions. He also uses RTGS for high-value payments to suppliers. One day, he mistakenly entered incorrect beneficiary details during an RTGS transaction, causing the transfer to fail.

1. Why does Mr. Rajan prefer a Current Deposit Account, and what are its features?
2. How does RTGS benefit Mr. Rajan in handling his business transactions?
3. What steps should Mr. Rajan take to avoid errors in future RTGS transactions?

Ans :

1. A Current Deposit Account is suitable for businesses like Mr. Rajan's, as it allows unlimited transactions, no withdrawal limits, and easy access to funds, though it does not earn interest.

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2. RTGS helps Mr. Rajan transfer high-value payments instantly and securely. It is ideal for time-sensitive transactions in his business dealings.
3. To avoid errors, Mr. Rajan should double-check beneficiary details before initiating RTGS transactions and ensure proper verification to prevent failures or delays.

210. Mr. Amit opened a Savings Deposit Account to manage his personal finances. He also uses Unified Payments Interface (UPI) for day-to-day transactions. Recently, he shared his UPI PIN with a friend, which led to unauthorized transfers from his account.

1. Why is a Savings Deposit Account suitable for Mr. Amit, and what are its features?
2. How does UPI help Mr. Amit with his transactions?
3. What mistake did Mr. Amit make, and how can he avoid such incidents in the future?

Ans :

1. A Savings Deposit Account is suitable for Mr. Amit as it helps manage personal finances while earning interest on deposits. It allows limited withdrawals and encourages regular savings.
2. UPI enables Mr. Amit to make instant, secure, and cashless payments using mobile apps. It is convenient for peer-to-peer transfers and online purchases.
3. Mr. Amit should never share his UPI PIN with anyone. To avoid fraud, he should keep sensitive information confidential and use only trusted payment platforms.

211. Ms. Radhika owns a Recurring Deposit Account, depositing ₹10,000 monthly for a tenure of 2 years. She also uses Internet Banking to transfer funds and pay bills. However, she forgot to log out of her internet banking session on a public computer, leading to unauthorized activity on her account.

1. What are the benefits of a Recurring Deposit Account for Ms. Radhika?
2. How does Internet Banking simplify Ms. Radhika's financial management?
3. What security measure should Ms. Radhika have taken to prevent unauthorized activity?

Ans :

1. A Recurring Deposit Account allows Ms. Radhika to save systematically, earning interest on her monthly deposits. It promotes disciplined saving with guaranteed returns at maturity.
2. Internet Banking simplifies Ms. Radhika's financial management by allowing fund transfers, bill payments, and account monitoring from anywhere.
3. Ms. Radhika should always log out of her internet banking session on shared or public devices to prevent unauthorized access. Using private and secure networks is also recommended.

212. Mr. Arjun runs a retail business and uses a Current Deposit Account for frequent deposits and withdrawals. He also relies on IMPS for immediate payments to suppliers. One day, he used public Wi-Fi to access his banking app, leading to a data breach and financial loss.

1. Why does Mr. Arjun prefer a Current Deposit Account, and what are its benefits?
2. How does IMPS benefit Mr. Arjun's business transactions?
3. What precautionary steps should Mr. Arjun take when using online banking services?

Ans :

1. A Current Deposit Account suits Mr. Arjun's business as it offers unlimited deposits and withdrawals without restrictions, enabling smooth cash flow management.
2. IMPS allows Mr. Arjun to transfer funds instantly, 24/7, ensuring timely payments to suppliers and maintaining business continuity.
3. Mr. Arjun should avoid using public Wi-Fi for banking transactions. He should use secure connections and enable two-factor authentication to protect his account.

213. Ms. Neha opened a Fixed Deposit Account, investing ₹2,00,000 for a tenure of 5 years at an interest rate of 7%. She also uses Mobile Wallets for her online payments. One day, she entered her wallet details on a fake shopping website, resulting in unauthorized transactions.

1. Why is a Fixed Deposit Account a good investment for Ms. Neha, and what are its features?
2. How do Mobile Wallets benefit Ms. Neha in her daily transactions?
3. What mistake did Ms. Neha make, and how can she secure her financial details?

Ans :

179. What is the significance of the Monopoly of Note-Issue by the Central Bank?

Ans : COMP 2016

The Monopoly of Note-Issue gives the Central Bank the exclusive authority to issue currency in the country. This ensures uniformity of currency, controls counterfeiting, and regulates the money supply in the economy. In India, the RBI issues currency notes, while coins are minted by the government.

180. Explain the purpose of a Recurring Deposit Account (RD).

Ans : MAIN 2013

A Recurring Deposit Account is designed for individuals who wish to save systematically. Depositors invest a fixed amount every month for a specified tenure, earning interest on their deposits. At maturity, they receive the total sum along with accumulated interest. It's a safe and disciplined savings option.

181. What is the purpose of the Maintenance of Exchange Rate function of the Central Bank?

Ans : SQP 2021

The Central Bank maintains a stable exchange rate by managing the supply and demand of foreign currency in the economy. This ensures stability in international trade, prevents excessive currency volatility, and supports economic growth by fostering investor confidence.

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182. Differentiate between NEFT and RTGS.

Ans : COMP 2010

NEFT (National Electronic Funds Transfer) processes transactions in batches, making it suitable for small and medium-value transfers. In contrast, RTGS (Real-Time Gross Settlement) processes transactions individually and instantly, and is primarily used for high-value transfers above ₹2 lakh.

183. What are Mobile Wallets, and how are they used?

Ans : MAIN 2014

Mobile Wallets (E-Wallets) are digital payment systems that allow users to store money electronically. They can be used for online shopping, bill payments, and fund transfers via smartphones or computers. Examples include Paytm, Google Pay, and PhonePe, offering a convenient alternative to cash or cards.

184. What is the Lender of the Last Resort function of the Central Bank?

Ans : SQP 2011

The Central Bank acts as the Lender of the Last Resort by providing financial assistance to commercial banks during liquidity crises. This prevents bank failures, maintains financial stability, and ensures public confidence in the banking system.

185. What is the purpose of the Clearing House Facility provided by the Central Bank?

Ans : COMP 2019

The Clearing House Facility enables the Central Bank to act as a mediator for interbank settlements, ensuring that cheques and payment instructions are processed efficiently. This promotes a smooth and efficient banking system by reducing interbank disputes and delays.

186. Explain the role of the Central Bank as the Custodian of Foreign Currency.

Ans : MAIN 2005

As the Custodian of Foreign Currency, the Central Bank manages the country's foreign exchange reserves, ensuring that adequate reserves are available for international trade and payments. It also intervenes in the foreign exchange market to stabilize the currency value.

187. What is the purpose of the Controller of Credit function of the Central Bank?

Ans : SQP 2000

The Central Bank, as the Controller of Credit, regulates the availability and flow of credit in the economy by implementing monetary policies, such as adjusting interest rates, cash reserve ratios, and open market operations. This helps in controlling inflation and fostering economic stability.

FIVE MARKS QUESTIONS

188. Explain the 'Clearing House Function' of the Central Bank.

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never ask customers to authorize transactions for rewards.
2. The principle violated here is Secure Digital Transactions. Users should only authorize payments for verified merchants or individuals and avoid falling for scams promising cashback or prizes.

218. Mr. Arjun, a businessman, uses RTGS (Real Time Gross Settlement) for high-value transactions with suppliers. One day, he mistakenly entered the wrong account number while transferring ₹5 lakhs. The transaction was processed immediately, and he realized his mistake only after the amount was debited from his account.
1. Can Mr. Arjun reverse the RTGS transaction? Why or why not?
2. What precaution should he take to avoid such errors in future transactions?

Ans :

1. RTGS transactions are irreversible once processed because they are settled in real-time and individually. Mr. Arjun must contact his bank immediately to check if the recipient can refund the amount, but the bank cannot reverse the transaction.
2. To avoid such errors, Mr. Arjun should double-check beneficiary details before authorizing any RTGS transaction and use pre-saved beneficiary accounts for regular payments.

219. Ms. Anjali invested ₹2 lakhs in a Fixed Deposit Account for 5 years to earn a higher interest rate. However, after two years, she needed urgent funds for a medical emergency. When she visited the bank to withdraw her money, the bank informed her that she would incur a penalty for early withdrawal.
1. Can Ms. Anjali withdraw her fixed deposit before maturity? What are the consequences?
2. Identify the banking concept related to this case.

Ans :

1. Yes, Ms. Anjali can withdraw her fixed deposit before maturity, but she will incur a penalty, which may include a lower interest rate or a deduction from the principal amount. Fixed deposits encourage long-term savings, and early withdrawals come with financial consequences.
2. The banking concept related to this case is Fixed Deposit Liquidity Constraints, which means that fixed deposits provide better returns but have restricted withdrawals before maturity.

220. Mr. Rohit frequently uses his Credit Card for online shopping. One day, he received a message that his card had been blocked and was instructed to call a given number to reactivate it. Upon calling, the fraudster posing as a bank officer asked for his CVV and OTP, which he provided. Later, he noticed several unauthorized transactions on his credit card.
1. What mistake did Mr. Rohit make, and what should he have done instead?
2. Identify the type of fraud committed in this case.

Ans :

1. Mr. Rohit's mistake was sharing his CVV and OTP with an unknown caller. Instead, he should have directly contacted his bank using the official customer care number and never disclosed sensitive card details over the phone.
2. The fraud committed in this case is known as Vishing (Voice Phishing), where scammers trick users into revealing personal banking details over a phone call.

221. Mr. Suresh maintains a Savings Deposit Account in a commercial bank. One day, he tried to withdraw a large amount of cash from his account but was informed by the bank that there were withdrawal restrictions on his account type.
1. Why was Mr. Suresh not allowed to withdraw a large amount?
2. Identify the banking concept related to this case.

Ans :

1. Mr. Suresh's Savings Deposit Account allows limited withdrawals to encourage saving habits. Banks impose withdrawal limits to maintain liquidity and ensure that the account serves its intended purpose.
2. The concept involved is Withdrawal Restrictions on Savings Deposit Accounts, which ensures that such accounts are used primarily for saving rather than frequent transactions.

222. Ms. Kavita frequently uses Internet Banking for online transactions. One day, she received an email that appeared to be from her bank, asking

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her to update her account details by clicking on a link. She entered her login credentials, and shortly afterward, unauthorized transactions took place in her account.

1. What mistake did Ms. Kavita make, and how could she have prevented this fraud?
2. Identify the type of cyber fraud in this case.

Ans :

1. Ms. Kavita's mistake was clicking on an unverified email link and entering her login details. She should have checked the sender's authenticity and avoided sharing personal banking details online.
2. This is a case of Phishing, where fraudsters use fake emails to trick users into revealing sensitive information.

223. Mr. Anil uses UPI (Unified Payments Interface) for quick payments. One day, he received a call from a scammer posing as a bank officer, asking him to enter a UPI PIN to receive a refund. Soon after, money was deducted from his account instead of being credited.

1. What mistake did Mr. Anil make, and how could he have avoided the fraud?
2. Identify the principle of UPI security violated in this case.

Ans :

1. Mr. Anil's mistake was entering his UPI PIN for an incoming transaction. UPI PINs should only be used for outgoing payments. He should have ignored the caller and reported the incident to his bank.
2. The violated principle is UPI Security Awareness, which states that the UPI PIN should never be shared or entered for receiving money.

224. Mr. Rajesh, a businessman, uses RTGS (Real Time Gross Settlement) for large transactions. He accidentally entered the wrong beneficiary account number while transferring ₹5 lakhs. He contacted the bank immediately, but the bank stated that the transaction could not be reversed.

1. Why was Mr. Rajesh unable to reverse the RTGS transaction?
2. What precaution should he take to prevent such mistakes?

Ans :

1. RTGS transactions are instant and irreversible as they are processed in real time and settled individually. The bank cannot reverse the funds once transferred.
2. Mr. Rajesh should double-check beneficiary details before authorizing payments and use saved beneficiary accounts for frequent transfers.

225. Ms. Pooja invested ₹3 lakhs in a Fixed Deposit Account for a tenure of 5 years. After two years, she faced an urgent financial need and requested to withdraw the amount. The bank informed her that an early withdrawal penalty would be applied.

1. Can Ms. Pooja withdraw her fixed deposit before maturity? What will be the consequences?
2. Identify the banking concept involved in this case.

Ans :

1. Yes, Ms. Pooja can withdraw the fixed deposit before maturity, but she will face a penalty, such as reduced interest rates or additional charges for early withdrawal.
2. The concept involved is Fixed Deposit Liquidity Constraint, which ensures that fixed deposits encourage long-term savings but impose penalties for premature withdrawals.

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